REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS

FOR THE

FINANCIAL YEAR ENDED 31ST DECEMBER, 2019

FOR THE

FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY APPOINTED ON 16TH SEPTEMBER, 2021

Published by the National Assembly of Zambia

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REPORT OF THE COMMITTEE ON PARASTATAL BODIES ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2019 FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

a. Composition of the Committee

The Committee consisted of Mr B Kambita, MP (Chairperson); Ms J Nyemba, MP (Vice Chairperson); Mrs M C Mazoka, MP, Mr A Kasandwe, MP; Mr S Kampyongo, MP; Mr M B Anakoka, MP; Mr V P Musumali, MP; Mr J Chibuye, MP; Mr R M Chabinga, MP; and Mr H Mapani, MP.

The Honourable Madam Speaker
National Assembly
Parliament Buildings
LUSAKA

Madam

The Committee has the honour to present its Report on the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2019 for the First Session of the Thirteenth National Assembly.

b. Functions of the Committee

The functions of the Committee are set out in Standing Order No. 197, of the National Assembly Standing Orders, 2021.

c. Meetings of the Committee

The Committee held sixteen meetings to consider submissions on the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2019.

d. Procedure adopted by the Committee

With technical support from the Office of the Auditor General, the Committee considered both oral and written submissions from Controlling Officers and Chief Executive Officers of the nineteen institutions that were cited in the audit report.

This Report contains the observations and recommendations of the Committee, including proposed remedial measures to correct identified irregularities. The Report is in three parts: Part I deals with the Auditor General's comments and the responses from the Secretary to the Treasury; Part II captures the responses from Controlling Officers on the individual audit queries and the Committee's observations and recommendations on the individual audit queries; and Part III contains the Committee's general observations and recommendations.

PART I

Auditor General's Comments and Responses by the Secretary to the Treasury, Ministry of Finance

1.0 Auditor General's Comments

The Auditor General reported that the Audit Report had been produced in accordance with Article 250 of the Constitution of Zambia as amended by *Act No. 2 of 2016*, *the Public Finance Act, No. 15 of 2004, the Public Finance Management Act No. 1 of 2018, the Public Audit Act, No. 13 of 1994* and the International Standards for Supreme Audit Institutions(ISSAIs). The Report contained irregularities on nineteen parastatal bodies and other statutory institutions that were audited and remained with unresolved issues as at 31st December 2020. Three of these institutions were under the Industrial Development Corporation (IDC).

The Auditor General stated that there where various levels at which the Office interacted and communicated with those charged with management of the institutions whose accounts were audited. The purpose of this interaction was to provide an opportunity for the responsible officers to clarify and take corrective action on the findings of the audits.

The Report also included findings of the audits of the information communication technology (ICT) systems that some organisations had implemented in order to improve on their efficiency and effective service delivery.

Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted that the responsibilities of the Auditor General with regard to the audit of public resources were noted and appreciated. The Treasury acknowledged the audit of parastatal bodies and other statutory institutions for the financial year ending 31st December, 2019 which also covered the audit of ICT systems under the parastatal bodies and other statutory institutions. The audit was done within the provisions of the Constitution of the Republic of Zambia as amended by Act No. 2 of 2016, *the Public Finance Act, No. 15 of 2004, the Public Finance Management Act, No. 1 of 2018* and the *Public Audit Act, No. 13 of 1994.*

2.0 Scope and Methodology of the Audit

The Auditor General informed the Committee that the Report was as a result of audits of selected parastatal bodies and other statutory institutions for the Financial Year ended 31st December, 2019. The Auditor General further submitted that although the Report related to the Financial Year ended 31st December 2019, it included audits covering the financial years 2015, 2016, 2017, and 2018 for the institutions that had not been audited for those years. In addition, the audits covered two categories of institutions, namely those whose financial statements were audited and certified by the Auditor General and those whose financial statements were audited and certified by private auditors in line with appropriate pieces of legislation and their financial statements were further reviewed by the Auditor General. He further added that it was necessary that such accounts were reviewed, and the result of such reviews were reported by the Auditor General in compliance with relevant legislation. The Auditor General also submitted that the report was as a result of programmes of test checks, inspection and examination of financial, procurement, projects and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the scope and methodology used by the Auditor General to audit the parastatal bodies and statutory institutions, through the review of programmes carried out and test checks, inspections and examination of financial, procurement, projects and other records maintained by these institutions, was appreciated. He further acknowledged that the scope and methodology adopted, was key to ascertain the institution's compliance to the Public Finance Management legislations in the management of public resources.

3.0 Internal Controls

With regard to internal controls, the Auditor General made specific mention on the following: non-preparation of financial statements, non-adherence to procurement procedures, irregular payments and poor financial performance among other issues, by the respective institutions. The Auditor General further highlighted that these were clear indicators of internal control weaknesses in the institutions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the weaknesses in the internal controls were noted and the Treasury pledged to orient Boards of parastatal bodies and statutory institutions on the Public Finance legislation to ensure that they were abreast with public finance management legal framework. This would enable them participate effectively in drawing up and placement of effective internal controls in the areas identified by the audit.

PART II

Consideration of submissions from Controlling Officers and Chief Executive Officers

The Committee considered submissions from Controlling Officers and Chief Executive Officers in charge of the institutions cited in the Report of the Auditor General, as set out below.

4.0 Development Bank of Zambia Ministry of Finance and National Planning

An examination of financial and other accounting records maintained at Development Bank of Zambia (DBZ) for the Financial Years ended 31st December 2018 and 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

4.1 Budget and Income

The Controlling Officer submitted that DBZ was unable to sustain its lending operations in 2018. This was mainly due to the cancellation of the credit line from African Development Bank (AFDB) amounting to $50 million.

The Controlling Officer further responded that the variance in interest income was mainly due to the reasons outlined below.

i. Firstly, the reduced loan disbursement activity was as a result of the eventual cancelation of the African Development Bank (AfDB) Credit Line amounting to $50 million. With this cancelation, the Bank suspended its lending operations in 2018 and these would only commence when the Bank was adequately recapitalised or secured new credit lines to support new lending operations. Suspending lending operations had adversely affected growth in interest income over the period under review.
ii. Secondly, there was incomplete loan disbursement to the Bank's clients due to liquidity constraints. This led to an increase in the Bank's Non-Performing Loans (NPLs) as most of these projects that were only partially funded could not be fully implemented to generate adequate cash flows to service the loans. The high NPLs adversely impacted the Bank's interest income as interest earned on these projects or loan accounts had to be suspended and therefore, was not recognised in the Income Statement for the years under review.
iii. Thirdly, in 2019 the Bank had incorporated interest income expected to be earned from the booking of new loans anticipated to be financed by draw down on the AfDB ($50 million) credit line as the Bank had met the two conditions for accessing these funds. These conditions were the appointment of the Managing Director and the Board; and the finalisation of financial statements. DBZ sent a letter to the AfDB for a drawdown on 17th July 2020 after submitting audited financial statements for 2019. Unfortunately, AfDB reassessed the facility and informed the Government via a letter to the Minister of Finance dated 9thNovember, 2020 that they were proceeding to cancel the credit facility to DBZ. This cancelation adversely affected the liquidity position of the Bank and its ability to book new loans to boost its interest income over the period under review.

The Controlling Officer submitted that in view of the cancelation of the AFDB credit line, the Bank had been making efforts to attract new credit lines from third party lenders and hence proactively engaged the Bank's shareholders to recapitalise the Bank. The Bank had also aggressively embarked on measures to recover funds loaned to its clients through debt recoveries and litigation measures. These efforts had started to bear fruit as debt recovery from defaulting clients increased from K20 million in 2019 to K87 million in 2020 and expected to reach K528 million in 2021.

The long-term strategy was to diversify the Bank's income sources and gradually shift from over-dependence on interest income to non-interest income streams by:

i. launching the credit guarantee and trade finance scheme;
ii. pursuing fund management opportunities following the DBZ Accreditation to the Green Climate Fund; and
iii. intensifying treasury operations by investing in short term instruments such as treasury bills to generate a predictable income flow to meet the Bank's operational budget.

Committee's Observations and Recommendations

The Committee observes that DBZ appears not to have any strategies to diversify its income sources apart from the AfDB credit line. The Committee observes that while the query relates to the Bank's failure to generate income from interest, the Controlling Officer's response refers to the cancelation of the US$50 million AfDB credit line. The Committee further observes that the said credit line was suspended in 2018, while the Bank has been in existence for close to fifty years and yet is still struggling to generate income. The Committee finds it awkward that the Bank has placed all of its resources in one area inspite of the fact that the Bank is a money lending institution which should be in the business of making money to keep it afloat. The Committee observed that this is unacceptable The Committee also observes that debt recovery efforts have only been stepped up following the cancelation of the AfDB credit line and wonders what role the Bank's debt collection and credit department's play. In this regard, the Committee strongly urges the Controlling Officer to ensure that more concerted effort is put into revenues raising strategies and will await a progress report on the matter.

4.2 Financial Analysis
4.2.1 Financial Performance Statement of Comprehensive Income
a) Reduction in Net Interest Percentage

The Controlling Officer submitted that the cancellation of $50 million AFDB credit line worsened the Bank's liquidity position and ability to extend loans to its clients and charge interest. Further, the partial loan disbursements affected the financial performance of projects and the ability of loans to service their loans with the Bank. As a result, interest income and profitability were all adversely affected, leading to the decline in Net interest income.

On the other hand, interest expenses increased as the China Development Bank (CBD) Facility/loan to DBZ which was denominated in Unites Stated Dollars increased due to the depreciation of the Kwacha over the period under review. As most of the loan financed from the CBD loan was disbursed in Kwacha to clients, the Bank needed more Kwacha to service the interest component of the CBD loan. This increased the interest expenses and subsequently reduced the net interest percentage.

Finally, the high levels of impairment costs due to high non-performing loan ratios (partly explained by the partial loan disbursements) and more generally on such large accounts such as the Kapiri Glass Manufacturing, Kabwe Industrial Fabrics, Nchila Wildlife Reserve and Chita Lodge among others adversely affected interest income as most of the interest on these accounts was suspended due to non-payment. Impairments were booked in accordance with International Financial Reporting Standard No. 9 – Financial Instruments.

The Controlling Officer informed the Committee that the corrective action outlined hereunder had been undertaken.

i. Once the Bank was recapitalised, it would resume lending operations which would in turn increase interest income earned by the Bank. In addition, efforts were being made to boost the recovery of loaned funds to enhance the Bank's liquidity, capital base and balance sheet. This would enable the Bank to source credit lines from the market to revitalise its lending operations and increase interest income.
ii. The Bank had also commenced measures to diversify the Bank's income streams for instance by creating new non-interest financial instruments, which included the soon to be launched Credit Guarantee Scheme; export guarantee initiatives; and fund mobilisation and management, following DBZ accreditation to the Global Green Climate Fund (GCF). The latter was an important milestone as it would enable the Bank to submit project proposals for funding to the GCF of up to $250 million per project. This would boost the Banks liquidity and non-interest income substantially.
iii. The Bank had made progress towards the dismantling of the NPLs by taking legal actions on all delinquent clients without exception to recover funds owed to the Bank. This was expected to reduce NPLs; facilitate suspended interest and impairments write-back; and consequently improve the liquidity and financial position of the Bank. Net interest income was poised to increase significantly from these measures going forward.
iv. The Bank's strategy and revised risk appetite statement recently approved by the Board would ensure that the Bank's gradually shifted from direct lending to small businesses to indirect lending through apex lending operations, working with commercial banks and micro-finance institutions. This measure would reduce credit risk and NPLs in the future. The Bank was expected to provide 30 per cent of its loans to Small and Medium Enterprises (SMEs) through apex lending via commercial banks and micro-finance institutions as a risk management strategy**.**
v. The Bank would further enhance the mobilisation of grants and concessional credit lines and use these resources to provide suitable blended financing to projects that have demonstrable positive development, social and environment impacts. Blended financing instruments would help to reduce interest expenses for the bank. The Bank would leverage its accreditation to the Green Climate Fund to attract grants and concessional loans to support the delivery of blended financial instruments on the Zambian market.
vi. Lastly, the Bank had since cut down on its operational costs by more than per cent in 2021, with payroll and related costs declining from K90 million per year in 2018/19 to K60 million in 2020.

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officer's response and acknowledges the strategies that DBZ has put in place to improve the Bank's liquidity position. The Committee resolves to close the matter, subject to audit verification.

b) Declining Return On Equity

The Controlling Officer submitted that the factors outlined below had affected return on equity over the period under review.

a) The high loan provisioning (impairment costs) due to high NPLs had adversely affected returns on equity for the Bank. The impairment costs booked in 2018 and 2019 significantly increased and this was in line with International Financial Reporting Standards (IFRS). These high impairment costs (as a result of high NPLs) significantly reduced the accounting profits declared and consequently returns on equity. However, once these NPLs were fully recovered, the impairment costs would be written-back on the income statement and balance sheet thereby boosting retained earnings and subsequently returns on equity in the coming years.
b) The main loan accounts that contributed most to impairment costs included Kapiri Glass Manufacturing, Kabwe Industrial Fabrics, Nchila Wildlife Reserve, Star Energy, Mattaniah Investments and Chita Lodge among others. These loan accounts were highly impaired and interest on these accounts were accrued and suspended. Once these loans were recovered, the impairment costs would be written-back, and returns on equity would significantly improve.

The Controlling Officer submitted that the steps outlined below had been undertaken by the Bank.

i. The Bank was working towards diversifying its income sources by creating and launching a credit guarantee instrument and trade finance products and services; implementing fund management activities by leveraging the GCF accreditation and intensifying its treasury operations by boosting its investments in short term financial instruments such as treasury bills to raise robust income flows to meet its operational needs.
ii. The Bank had significantly reduced its cost structure by substantially cutting down on conditions of services. This had reduced the payroll costs from K90 million per year to K60 million. This would subsequently increase profitability and returns on equity.
iii. The Bank's lending policies were being transitioned from direct lending to risky clients to lending via apex lending. This would reduce credit risk, NPLs, and impairments and increase returns on equity.

These strategies would ensure that interest income was preserved and that there was a reduction of impairment resulting in an increase in Return on equity.

Committee's Observations and Recommendations

The Committee acknowledges the strategies that DBZ has put in place to improve the Bank's return on equity. The Committee further notes that the drastic decline in the return on equity points to the fact that, DBZ is performing inefficiently and the future is bleak for the shareholders. The Committee also observes that DBZ is neither breaking even, nor generating any profit at all. The Committee further notes with awe whether it is not worthwhile to continue pumping money into DBZ as it is failing to generate any positive returns and urges the Controlling Officer to ramp up strategies that have been put in place to improve the Bank's operations. The Committee resolves to await an update on the matter.

4.2.2 Statement of Financial Position

a) Decline in Equity

The Controlling Officer submitted that the operational losses during the period under review had eroded the Bank's equity due to the high impairment expenses booked on the income statement due to NPLs. A decline in interest income due to lack of funds to book new loans and high NPLs and suspended interest had all contributed to the fall in profitability, including erosion of the Bank equity and the weak financial position of the Bank.

The Controlling Officer informed the Committee that the Bank had taken several corrective actions to remedy this situation mainly by engaging shareholders of the Bank to recapitalise the Bank, build a strong resource mobilisation pipeline, enhance debt recovery efforts including taking court actions on delinquent clients, diversifying income by introducing new business lines as well as by aggressively cutting down on operating costs and ensuring that the wage bill was aligned with the Bank's income flows.

Committee's Observations and Recommendations

The Committee expresses dismay at the deep financial distress that is plaguing DBZ. The Committee observes that the declining equity should have served as a serious red flag for management. The Committee observes that no care was given because DBZ was a parastatal and not a private company. The Committee further observes that the high incidence of NPLs is continuously given as a reason for the Bank's poor state of affairs. This is highly unacceptable given that the Bank has a department responsible for debt collection. The Committee directs the Controlling Officer to strongly admonish management so as to avoid a *laissez faire* attitude towards the Bank's business in future. The Committee resolves to await a status update on the outcome of the measures put in the place to improve the Bank's equity.

b) Deteriorating Interest Margins

The Controlling Officer informed the Committee that the decline arose due to the Bank's liquidity constraints, high NPLs leading to high impairment costs and low interest income, as well as an increase in interest expenses on its dollar denominated loans due to the depreciation of the Kwacha over the period under review.

The Bank had taken several corrective actions to remedy this situation mainly by engaging shareholders of the Bank to recapitalise the Bank, build a strong resource mobilisation pipeline, enhance debt recovery efforts including taking court actions on delinquent clients, diversifying income by introducing new business lines as well as by aggressively cutting down on operating costs and ensuring that the wage bill was aligned with the Bank's income flows.

Committee's Observations and Recommendations

The Committee observes that the dollar denominated loans that the Bank was obtaining were a great disadvantage as DBZ had to bear the risks associated with currency fluctuations. The Committee, however, notes that other commercial banks in Zambia are operating in the same market as DBZ and managing to have a good interest income. The Committee resolves to await a status update on the measures that have been put in place to improve the Bank's interest margins.

c) Debt to Equity Ratio

The Controlling Officer submitted that the Bank had four main credit lines, namely:

a) China Development Bank (CDB) (K449m);
b) National Pension Scheme Authority (NAPSA) (K45m);
c) Government of the Republic of Zambia- Rural Finance Programme (K25m); and
d) African Development Bank (K7m).

The CDB and NAPSA loans were both being fully serviced with little risk of default. The decline in debt-to-equity ratio was attributed to the decline or erosion of the Bank's equity and to a marginal extent, an increase in debt stock due to the interest charged the loan balances over the period under review.

The Bank had made incredible progress in servicing the NAPSA and CDB loans and these efforts were expected to reduce the overall debt over the coming years, while also increasing the shareholder equity through capitalisation (injection of new shareholder capital) and recapitalisation (through debt recovery from the current loan portfolio) of the Bank. Therefore, as these efforts to recover the loans, reduce NPLs and impairment charges were sustained, the debt to equity ratio was expected to improve significantly in the coming few years.

For example, the NAPSA debt had been reduced from K101 million in 2019 to K67 million in 2021. On-going strategies to diversify and increase revenues while containing operating costs would also have a positive impact on profitability and equity and debt-to equity ratio was poised to improve in the coming years.

Committee's Observations and Recommendations

The Committee expresses concern at the huge debt burden that DBZ is carrying and wonders whether there can be any motivation for the shareholder to recapitalise the Bank in view of the increasing debt/equity ratio. The Committee directs the Controlling Officer to strongly caution Management to ensure that all the measures that the Bank has put in place to reduce the debt burden and revitalise the financial position begin to yield results in the short to medium term. The Committee will await a status update on the matter.

4.3 Operational Matters

4.3.1 Failure to Pull Out Equity Shareholding

With respect to Kaleya Smallholders Company Limited, the Controlling Officer submitted that the rationale behind the placement of shareholding was strategic and important in strengthening corporate governance; growth and development; and social impact of the company's operation in the community. Therefore, it was important that the exit out of Kaleya by DBZ was done properly to secure the continued existence and growth of the Kaleya. Therefore, in view of the corporate governance challenges, disputes between some shareholders and small sugarcane growers (out-grower scheme) and other pending issues within Fairtrade, it was decided that DBZ should suspend its intention to sell its shares. This decision was made in order to help Kaleya address these challenges. It was expected that the sale of shares and eventual exit from Kaleya might be commenced in 2022. Zambia Sugar Company and some other Companies had expressed interest purchase the shares. The Controlling Officer pointed out that DBZ had over the years received dividends from Kaleya Small-holder Company. In 2021, the Bank received a dividend of $70,000 (approximately K1.2 million).

The Controlling Officer submitted that DBZ had also proactively engaged shareholders and directors of Kaleya to try and resolve some of the corporate governance issues affecting the company, and these issues were being addressed through the revision of the articles of association and through Management actions. The Board membership and composition was also being normalised and efforts to re-admit the suspended director on the Board was under-way. It was expected that negotiation for the sale of DBZ shares, which already had prospective buyers, would commence in 2022.

With respect to DBZ shares in NORSAD, the Controlling Officer responded that efforts to sell these shares were made in 2020. However, the uptake was sluggish due to the impact of COVID 19. The thirteen different companies with the pre-emptive right to purchase DBZ shares were all offered to buy the shares, but none of them could take up the shares citing liquidity constraints due to COVID 19. The uptake from others was also very low. The Bank decided that in order to get a fair return on these shares, it was important to pursue the sale when the market was more liquid and vibrant.

The Controlling Officer further submitted that DBZ management registered the interest to sell its stake with NORSAD management where the latter first facilitated the offering of DBZ's shares to existing shareholders in 2020. Due to the depressed economic conditions as a result of COVID 19, other shareholders were not able to purchase the shares. However, due to the improved conditions in the market as a result of substantial reduction in COVID 19 restrictions, the Bank was confident that a sale could materialise in due course. The Bank was also identifying other potential off-takers by casting the marketing of these shares to other potential buyers outside the current shareholders of NORSAD.

Committee's Observations and Recommendations

The Committee notes the responses on the sale of Kaleya and NORSAD shares and directs the Controlling Officer to ensure that the resolution is acted upon without further delay. The Committee will await a progress report on the matter.

4.3.2 Delayed Allotment of Issued Shares

The Controlling Officer submitted that DBZ requested the Ministry of Finance via its correspondence dated 17th July 2020 and 24th September 2020, and subsequently engaged the Minister of Finance and Attorney General's Office to address the prior audit observation on this matter. The Government was still considering the best way to allot these shares, given that the cap on the amount of shares the Government could hold had been reached. The regulatory framework allowed the Government, which was a Class A shareholder, to hold not more than 60% of the Bank's shareholding. With the impending allotment, and if shares were allotted to the Ministry of Finance, the Government would be holding more than 75% of the shareholding, which is way above what the law provides. It was for this reason that the shares remained unallotted during the period under review.

The Government was exploring the allotment of these shares through eligible parastatal entities and mechanisms were being discussed with Attorney General and the Bank of Zambia to ensure that this allotment was done in full compliance with existing legal provisions and good corporate governance principles. This was, therefore, to confirm that this matter was receiving active attention at the Ministry of Finance.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer not to relent in the efforts to ensure that the shares are allotted in the shortest possible time. The Committee will await a progress report on the matter.

4.3.3 Failure to Access Approved Line of Credit – P-ZM-HAA-001

The Controlling Officer submitted that DBZ had met the three conditionalities that AFDB needed to be fulfilled for it to disburse the funds to the Bank. These conditionalities were:

i) the appointment of the full Board of Directors of DBZ;
ii) the appointment of the Managing Director; and
iii) submission of audited financial statements for 2019.

Upon fulfilling those conditions, DBZ sent a letter to AfDB dated 17th July 2020 requesting for a drawdown on the AFDB Credit Facility. On 23rd July 2020, the AfDB informed the Ministry of Finance that it had decided to cancel the credit facility for DBZ and was giving the Government ninety days notice for the cancellation. The Ministry engaged with AfDB to try to secure the facility but to no avail. The credit facility terminated at the expiry of the ninety day notice period.

The AfDB disbursement was anchored on the guarantee from the Government of the Republic of Zambia. DBZ had met all the conditionalities for draw down. However, the AfDB decided to cancel the facilities and engagement was made through the Minister of Finance to pursue AfDB to rescind its decision but to no avail. The Ministry of Finance and DBZ were actively pursuing three measures:

i) the Ministry was exploring fiscal space within the 2022 budget to capitalise DBZ by at least K70 million to help the bank meet its regulatory capital requirement;
ii) DBZ had scaled-up debt recovery interventions to recover its loans and some of these measure had included assignment of Government receivables to a tune of K528 million, of which 60% had been perfected and were being reviewed for payment by Government; and
iii) DBZ was pursuing mobilisation of credit lines from other financial institutions, although, these efforts were being dampened by a less than favourable balance-sheet.

DBZ had also managed to mobilise credit line of $2.5 million from the World Bank for apex lending for renewable energy projects, $5 million from the Saudi Fund in trade finance and had established a credible pipeline that could be pursued once its balance-sheet was strengthened in 2022.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by DBZ to access the much needed financing. The Committee, however, observes that this should act as a wakeup call to DBZ Management to enhance their debt collection efforts so as to improve the Bank's balance sheet. The Committee will await a progress report on the matter.

4.3.4 Failure to Settle Loan

The Controlling Officer submitted that the major reasons for defaulting on the NAPSA loan were that the Bank did not generate sufficient interest income from its portfolio to service its debt with NAPSA as most loan accounts were in default (high NPLs). The Bank did not aggressively pursue its client to collect and recover the loans and generate adequate cash flows to meet its operating costs and service its loan obligations.

In 2019, Management developed a robust strategic plan and began to pursue collections and loan recoveries more aggressively, targeting delinquent clients and collections had since been on the increase. The Bank was on course with servicing the NAPSA debt and the debt had reduced from K102 million in 2019 to K67 million in 2021. Management had committed to sustain these same levels of debt servicing over the next six months when the debt was expected to be fully paid.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response regarding the headway that has been made towards settling the NAPSA debt. The Committee will keep the matter open until the debt is fully paid.

4.3.5 Failure to Service the GRZ Loan – Rural Finance Programme Subsidiary Loan

The Controlling Officer submitted that this facility amounting to $4 million was extended to DBZ by the International Fund for Agricultural Development (IFAD) in 2016. These funds were then used to finance loans by DBZ, with the largest of the loan disbursed to CETZAM Financial Services amounting to $2 million as an apex facility for on-lending from small to medium sized agricultural projects. The rest was advanced to other clients as stated in the table below. Other than CETZAM, all other clients repaid their loans with interest, and these repayments were intended to be revolving.

Micro-financial institutions were identified meeting the required criteria as registered by the Bank of Zambia (BoZ) as per table below:

Table: RUFEP loan disbursements and repayments (amount credit line from GRZ K24, 800,000.00)

PATICIPATING FINANCIAL INSTITUTIONS	AMOUNTS DISBURSED	REPAYMENT	BALANCE	DBZ REPAYMENT TO GRZ
	ZMW	ZMW	ZMW	ZMW
CETZAM	8,605,000	905,568	7,699,432	700,000
ENTERPRENEURS FINANCIAL CENTRE	5,042,000	5,042,000	-	-
MICROBANKERS TRUST	1,000,000	1,000,000	-	-
VISION FUND	3,750,000	3,750,000	-	-
TOTAL	**18,397,000**	**10,697,568**	**7,699,432**	**700,000**

It appeared that these funds were deployed to finance other loans, including those which were partially disbursed by DBZ and comingled with other credit lines. The CETZAM loan was never repaid as the company was under liquidation by the Bank of Zambia. The DBZ loan to CETZAM was not fully secured and hence could only be paid from liquidated assets of CETZAM once secured creditors (creditors ranked first on security) were fully paid.

DBZ had recently reviewed its loan underwriting policies and that all loans disbursed were fully secured with collateral cover of at least 125% of the loan amount. The Bank also ensured that collateral obtained for the loan was perfected and regularly inspected. The Bank was exploring measures through the Ministry of Finance to re-establish the Rural Finance Programme revolving fund, by dedicating recoveries from the existing portfolio into this fund to a tune of $2 million. The remaining $2 million dollars was expected to be recovered from any residual payments that would be made to DBZ from the on-going liquidation process over-sighted by the Bank of Zambia on CETZAM.

Committee's Observations and Recommendations

The Committee is concerned that DBZ may not have done proper due diligence when issuing the loan to CETZAM. The Committee is further concerned about the large amount owed by DBZ and is mystified with what the interest payment was. The Committee is also concerned that the strategy proposed by DBZ for repayment of the loan would not yield tangible results in the foreseeable future. The Committee notes the Controlling Officer's response regarding the review of its loan underwriting policies and regarding the securing of collateral to cover at least 125 per cent of the loan amount; and the perfection the said collateral. The Committee questions how unsecured loans for large amounts were given out in the first place and directs the Controlling Officer to strongly caution management against such risky practices. The Committee will await a progress report on the matter.

4.3.6 Poor Performance of Loan Accounts

The Controlling Officer submitted that in the initial year, DBZ operated less than robust credit under-writing procedures and loan management systems had little controls and safeguards. This was compounded by the general poor credit culture of Bank's clients when they borrowed from publicly funded financial institutions. The Bank had since put in place measures to improve loan under-writing policies and procedures. Loan management systems had been computerised and debt recovery efforts and strategies enhanced.

The Controlling Officer further responded as outlined below.

a) The Bank had embarked on strengthening the lending processes to make lending systems more robust and the launch of the Enterprise Resource Planning (ERP) platform had provided a transparent platform for better managing loan accounts.
b) Enhanced debt recovery methods had been put in place. Defaulting clients were being taken to court to recover amounts due to the Bank without exception.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and the strategies that have been put in place to enhance debt recovery efforts. The Committee, however, directs the Controlling Officer to ensure that the loans that are classified as below the due period are expeditiously recovered by the Bank. The Committee will await a progress report on the matter.

4.3.7 Irregularities on Closed Loan Accounts

The Controlling Officer informed the Committee that the loans in question were transferred and merged under new loan IDs as part of the loan restructuring process. Both the principal and interest accrued on these loans where fully capitalised in the restructured new loans.

The Controlling Officer explained as outlined below.

- The five loan accounts amounting to K8,633,625.96 and $4,049,901.07 were transferred and merged to create new merged loan account as part of the restructuring process. The accounts transferred related to Scirocco Enterprises (two loan accounts); Nchila Wildlife (two loan accounts); and Multi Civils Limited.

- The ten loan accounts were closed due to loan restructuring that led to the creation of new loans. These included: Chita lodge, Nchila Wildlife, Kalahari Drilling, Shimaini Investments and Cunny Limited. The loan restructuring process would be reviewed and strengthened, and documentation improved for easy of reference moving forward.

Committee's Observations and Recommendations

The Committee expresses concern at the response from the Controlling Officer and urges him to submit documents supporting his submission to the Auditor General so as to verify the restructuring of the loans and the location of these accounts, subject to which the matter should be closed.

4.3.8 Failure to Manage Loan Portfolios - Projects

i) Chasasa Farms Limited-Failure to Recover Loan

The Controlling Officer submitted that the promoter had proposed to dispose some of his property to raise funds for working capital and service the Bank loan in the hope of reviving the project. The Bank received a payment of K400,000 in September 2019 from the sale of a plot and the remainder of the funds from the sale of the property to be directed to jumpstart the project. The project was given 10 months in which to find equity partners to buy off the Bank's debt in the project, but this seems to have failed.

Despite the promoters indicating that a number of organisations had shown interest in the project, the Bank had proceeded to institute legal action against Chasasa farms with an aim of recovering the full loan amount disbursed plus interest.

Committee's Observations and Recommendations

The Committee is dismayed that the earlier advice given to the Controlling Officer by the previous Committee for the Bank to provide a time frame within which the recovery of the loan would be completed failure to which DBZ was to sell off the project assets procured using loaned funds and the pledged collateral, so that the loan and increasing interest could be paid off, had not been taken. The Committee is disappointed that inspite of all the warning signs that Chasasa would not be able to clear the debt owed to the Bank, the repayment was still being negotiated. The Committee notes that legal proceedings have been instituted and resolves to await a progress report on the matter.

ii) Zambia Cooperative Federation Milling Plant Project – Failure to Recover Advance Payment

The Controlling Officer submitted that the ZCF project failed due to insufficient funds for the Bank to fully disburse to the project following the initial disbursement of US$2,598,447.50 made to the milling plant suppliers. Due to liquidity constraints, there were no further disbursements to the project to enable ZCF fully pay for the milling plants hence the project did not take off. A joint decision was reached between ZCF and the Bank to have the funds disbursed to the suppliers recalled. Challenges notwithstanding, efforts had been made to seek a reimbursement from the milling plant suppliers in China through the Ministry of Foreign Affairs and the Zambian Embassy in China. These efforts were on-going.

The amount in question, US$2,598,447.50 was paid directly to the supplier of milling plants in China. Resulting from the project not being fully funded or partial disbursement on the account, the project could not be completed and hence remained non-operational. However, working closely with ZCF and through the Ministry of Foreign Affairs and Zambian Embassy in China, the disbursed funds had been recalled from the milling plant suppliers and efforts to recover the amount disbursed were still underway.

Committee's Observations and Recommendations

The Committee expresses grave concern at the Controlling Officer's submission that DBZ had only disbursed part of the loan to ZCF and had failed to disburse the full amount due to liquidity challenges. The Committee finds it highly unacceptable that DBZ would commit to funding a project without having the required amount of money to do so. The Committee is of the considered view that the ordeal was orchestrated by the Bank and ZCF officials to defraud the republic of the money in question. In this regard, the Committee recommends that the matter should be reported to the law enforcement agencies for further investigation as the Committee deems the submission inadmissible. The Committee further directs the Controlling Officer to, as a matter of extreme urgency, ensure that efforts to recover the money are stepped up and to report progress to the Committee.

iii) Chita Lodge Limited - Non-Performing Loan

The Controlling Officer submitted that the project had gone through various restructurings to make it viable but its revenue collections capacity was inadequate to service the loan facility. Through the tenure the promoters proposed the use of some of their collateral to facilitate the paying off of their loan liability. This entailed the disposal of some of the properties and applying the proceeds to the loan facility. The past attempts failed to significantly impact the arrears on the facility.

The promoters had come up with a concept to parcel out pieces of land on the Kafue property with a value which was far much greater than the outstanding loan. An Escrow account had been opened with Atlas Mara Bank where proceeds from the sale of the plots in Kafue would be deposited as agreed with the client. Instructions to commence legal proceedings had been issued.

Committee's Observations and Recommendations

The Committee expresses utter dismay at the query and at the subsequent response from the Controlling Officer. The Committee is mystified how an initial loan of K18, 000,000 can be restructured to the point where the amount owing stands at K103, 453,269 and no proper action has been taken by the Bank. The Committee is concerned that too much leeway has been given to the borrower for unclear reasons and wonders how many plots will have to be sold and how long it will take for the money owed to be paid back. The Committee directs the Controlling Officer to caution management to avoid getting into such agreements that are detrimental to the survival of DBZ. The Controlling Officer is further directed to ensure that legal action against Chita lodge is commenced as a matter of extreme urgency. The Committee will await a progress report o the matter.

iv) Shimaini Investments Limited – Non-Performing Loan

The Controlling Officer submitted that the default had been attributed to the inadequate liquidity in the Bank to provide catalytic working capital to enable them purchase adequate feedstock for the effective running of the plant more effectively and efficiently, and generate cash-flows to enable loan repayment.

The Bank, working with selected pension funds had helped Shimaini access adequate working capital to buy the maize and operate the milling plant more profitably. The loan had since been restructured and prospects for loan repayment had since improved.

Committee's Observations and Recommendations

The Committee expresses discomfort at the response by the Controlling Officer that the prospects for loan repayment have since improved. The Committee wonders whether this was based on speculation or on actual concrete evidence. The Committee is concerned that if not properly monitored, the debt owed by Shimaini will continue to grow as the Bank has shown that it has a poor track record in terms of making recoveries from NPLs. The Committee urges the Controlling Officer to direct management to keep a close eye on the company and report progress to the Committee.

v) Africa Transmission Limited – Failure to Repay Loan

The Controlling Officer informed the Committee that the client had not been servicing the facility despite several follow ups citing challenges with the soya milk processing plant.

The client had been engaged to recover the debt. The Bank had commenced legal action to recover the loaned funds plus interest. The matter was expected to be concluded over the next six months.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and wonders why it had to take auditors to point out the fact that no repayments had been made by African Transmission Limited. The Committee notes that legal action has been commenced and resolves to await an update on the matter.

vi) Kalahari Drilling and Exploration Limited

The Controlling Officer submitted that Kalahari Drilling and Exploration Limited was granted a long-term loan of K7,600,000.00 and a working capital loan of K500,000.00 in July 2015. The long-term loan had tenure of 84 months with grace period of 12 months while the working capital loan had tenure of 18 months and grace period of 3 months.

On 28th March 2017, the facilities were restructured due to the Bank's delayed payments for the concrete mixer trucks to Sinotruck Huawin (HK) Limited in China. The restructuring capitalised the arrears accrued on the facilities, gave a grace period of up to 30th June 2017 and extended the tenure of the loans. The variation letter inadvertently stated K6,603,695.54 (the loan balance outstanding at the time of the restructuring) as the restructured amount instead of the entire long-term facility of K7,600,000.00 plus interest accrued.

The delay in the disbursements of the funds contributed to the challenges faced by the promoters in implementing the project fully. Further, the exchange risk also contributed as the money obtained wasn't enough to fully import the equipment bought. The delay in disbursements was based on an anticipated AfDB facility drawdown which did not happen. Going forward, the Bank would ensure that all approved projects had sufficient funds to cover all disbursement before the loan was approved.

Legal action was being instituted against the project promoter to recover the amounts owed in full.

The Bank failed to fully disburse the approved loan amount on time thereby causing challenges in implementing the projects. The client had been engaged to repay the loan and indications were that the loan would be recovered over the next 12 months.

Committee's Observations and Recommendations

The Committee observes that the partial disbursement of loan amounts was inconveniencing to the client and is not acceptable from a planning perspective. The Committee urges the Controlling Officer to ensure that going forward; loan agreements should only be entered into when there is guaranteed funding from DBZ. The Committee reiterates its concern on the incidence of NPLs and resolves to request an update on the court action against the promoter and on the recovery of the loan.

vii) Mattaniah Investments Limited

The Controlling Officer submitted that Mattaniah Investments Limited was advanced a facility of K36,242,487 in November 2013 to build the chicken processing plant. Due to late disbursements, the project implementation was delayed. To avoid further delays and keep the project on track, the promoter acquired a bridging finance from Finance Bank Zambia (now Atlas Mara), and through that was able to successfully implement the project.

The plant was fully set up with a processing capacity of 2000 birds per hour. The process was fully automated with little human contact along the processing chain. With a 300-tonne capacity blast freezer, the plant had enough storage space for stock at it awaits collection. The whole plant layouts consist of a block of offices, a canteen and wash area for the workers and the main plant where the processing line was housed. Further, there was full security and good bio-security measures throughout the plant.

Despite the plant having been fully set up, Mattaniah Investments Limited remained non-operational. This was due to the diseases that affected part of the poultry and also high cost in operations which couldn't sustain the limited working capital. As a result, Mattaniah had a full-installed chicken processing plant with no chickens to process.

The Bank had instructed Mattaniah Investments to make available the latest valuation reports of all properties that they had pledged as security and would be required to submit latest valuation reports every 2-3 years.

The Controlling Officer further responded as outlined below.

i) Disbursements to the project were delayed due to liquidity challenges of DBZ. However, the Bank supported the promoter's quest for bridging finance from Finance Bank Zambia Limited (Atlas Mara) to complete the implementation of the project. Going forward, approval of new projects would be based on available funding to ensure disbursements to the projects were timely.
ii) DBZ would begin to effect the clauses in its policies and procedures to ensure security revaluations were done within the required time framw. The security revaluation programme had been scheduled for 2021.
iii) The security cover at appraisal included the value of the machinery that was to be purchased from the facility as well as insurance in addition to the three mortgages. However, a revaluation of the three mortgages pledged as security after completion of construction and installation of the machinery at the project site gave a discounted security value of K116,576,856 which covered the balance as at 31st December 2019 (K58,367,002.94) by 199 per cent and the current balance as at 25th February 2021 (K65,743,555.08) by 177 per cent. As such, the loan was fully secured.
iv) DBZ was awaiting the court ruling. The promoter had written to the Bank requesting that the receivership be uplifted. Mattaniah had an immediate cash requirement of K24,000,000 and was proposing to convert 30 per cent of the lender's debt into redeemable preference shares, redeemable in 2 years. The remainder of the lender's debt of K74,095,061.66 and new money of K24,000,000 would be repayable over six years, with the first 12 months moratorium on both interest and capital.
v) There were ongoing discussions to settle the matter outside court.

Committee's Observations and Recommendations

The Committee notes the response and reiterates its concern on the partial disbursement of loans by DBZ and the possible negative impact this has on borrowers. The Committee will await a progress report on the settlement of the matter.

viii) ALD Plant and Fleet Management

The over disbursement to ALD happened as a result of failure to properly track the amount disbursed before making further disbursement. The over disbursement to ALD Plant and Fleet was noted and communicated to the client. Bills to the client were based on the disbursed amount, hence factoring in the K1,283,069.72 that was over disbursed. The prevailing state of affairs was that requests for disbursements took into account disbursements made so far to the project as well as the undisbursed balance to avoid disbursing above the approved amount.

With regard to failure to collect interest, ALD Plant and Fleet Management attempted to settle the loan account by way of payment of K12,960,000 on 24th July 2018 bringing the total recoveries on the account to K18,988,174.8. However, a balance of K1,816,253.09 remained outstanding on the loan account due to differences in interest calculation which grew to K2,690,227 as at time of the audit. After several follow ups with ALD to clear this balance, the matter was taken to court.

The Controlling Officer explained that the over disbursement to ALD Plant and Fleet was noted and communicated to the client. Bills to the client were based on the disbursed amount, hence factoring in the K1,283, 069.72 that was over disbursed.
With regard to recovering interest on the loan, as at time of audit, significant recoveries had been made on this account in the sum of K18, 988,174.8 comprising both interest and principal. The court action for the balance had been concluded by way of consent judgement and ALD had since paid the outstanding balance in full. The mortgage had since been discharged.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to close the matter subject to audit verification.

ix) Zambia National Building Society

With regard to failure to charge the stipulated facility fee, the Controlling Officer submitted that as at 2013 when the ZNBS loan was booked, the Credit Appraisal Manual provided room for negotiations on the fees charged on the loans and these were considered on a case by case basis. Therefore, ZNBS negotiated for a waiver on the appraisal and facility fees of which the Bank granted. Hence 0.5 per cent of the fees were charged and were paid. However, the Credit Appraisal Manual and Investment Policy had been revised and these charges of fees were standardised without leaving room for negotiations to avoid loss of revenues.

With regard to failure to collect mortgage registration fees, the Controlling Officer responded that the fees in question were all duly paid. The mortgages on the properties were registered as per lodgement schedule of 9th July 2013.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to close the matter subject to audit verification.

xi) Dana Oil Corporation Limited

The Controlling Officer responded that the failure to disburse in full to Dana Oil was caused by liquidity challenges of the Bank. At the time the US$2,000,000 working capital facility to Dana Oil was approved, the Bank was expectant of drawing on the AfDB line of credit to fully disburse to Dana Oil. However, the Bank was unable to draw on this line of credit. When it became apparent that liquidity challenges would continue, a decision was made to cap the facility amount to the extent of the disbursed amount.

Going forward all project approvals would be based on availability of funds to support the projects to ensure timely and full disbursements to the projects.

With regard to failure to include restructuring fee on variation, the restructure of the Dana Oil facility was mainly caused by failure by the Bank to fully disburse to the project. Hence, it was not prudent to charge the client restructuring fees.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response that going forward all project approvals will be based on availability of funds before financing any projects, to ensure timely and full disbursements to the projects. The Committee urges the Controlling officer to submit documents supporting his submission to the Auditor General for verification, subject to which the matter should be closed.

xii) Chabanga Lodge Limited

The Controlling Officer submitted that the main reason for this performance was the poor utilisation of funds by the client. The court ruled in the Bank's favour and the Bank had commenced repossession process and had since advertised the property for sale.

Committee's Observations and Recommendations

The Committee expresses concern that due diligence may not have been done in issuing of the loan to Chabanga Lodge. The Committee expresses further concern that there was no inspection on the project to ascertain whether works were on going as per the project proposal. The Committee cautions the Controlling Officer against poor monitoring of projects and directs that disciplinary action should be instituted against all officers who failed to put in place monitoring mechanisms. The Committee resolves to await an update on the matter.

xiii) Kabwe Industrial Fabrics Limited

The Controlling Officer responded that the matter was still in court hence disposal of assets was delayed.

The project was under receivership and Ms Agnes Ngoma was the appointed Receiver. The Wonderful Group had withdrawn interest in the purchasing of the assets of KIFCO. There was court application by the Receiver for leave to appeal to the Supreme Court, which was heard on 28th September 2021. The ruling was reserved.

Committee's Observations and Recommendations

The Committee notes of the Controlling Officer's submission and resolves to wait an update on the outcome of the matter in court.

xiv) Nchila Wildlife Reserve Limited-Questionable Engagement of Receivers

The Controlling Officer informed the Committee that the process of finding a buyer by the Receiver took time, but was in progress. The project was under receivership and Mr Zachariah Muya was the appointed Receiver/Manager. A prospective buyer had been engaged and the Receiver was negotiating the purchase price with the prospective buyer. A site visit was undertaken on 24th September 2021 of Nchila Wildlife in order to ascertain the assets of the property for inventory purposes.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the process of finding a buyer is urgently concluded, as a matter of urgency. The Committee resolves to await an update on the matter.

xv) Kasama Milling Limited

The Controlling Officer submitted that information on the project was readily available. The project had however, posed a challenge due to their poor credit culture.

i) Management's main priority was to ensure that the Bank did not lose any funds but that all loans disbursed were recovered along with the associated interest. This was the more reason why all loan recovery options at the Bank's disposal were considered to ensure that facilities were fully recovered. In this case:
    - the first receiver was terminated due to underperformance and his failure to secure a buyer or equity partnership agreement; and
    - the second receiver was terminated due to his failure to find an adequate buyer within the 6 month period provided in the Deed of Appointment.

ii) The client had been engaged through various options available to the Bank. The client was once put under receivership and then re-instated with negotiations to provide working capital so that it was fully operational.

Committee's Observations and Recommendations

The Committee expresses disappointment at the Bank's failure to avail information to the auditors on the on costs incurred and amounts claimed by both receivers engaged and removed. The Committee directs the Controlling Officer to discourage management from flouting provisions of the *Public Audit Act No 13 of 1994.* The Committee requests an update on what is being done to recover the outstanding loan amount of K28,986,568 as no response has been given to this effect. The Committee will await a progress report on the matter.

xvi) Stalwart Investments Limited

The Controlling Officer submitted that the assignment of receivables amounting to K2, 000,00 from NAPSA was not honoured, and the Bank proceeded to notify the client of its intentions to repossess the assets of the business. In response, the promoter informed the Bank of their intentions to dispose of some of their excess equipment, in order to service the loan. They had since made a payment in the sum of K700, 000 towards dismantling their debt.

Committee's Observations and Recommendations

The Committee expresses disappointment at the failure by the Bank to take possession of the premises, five years after the court order was granted. The Committee is concerned that even though the Bank opted to have the debt paid off by Stalwart Investments, neither a time frame nor a payment plan has been has been provided to the Committee. The matter will, therefore, remain open until there is clarity on the way forward and the debt is repaid.

xvii) Henry Courtyard Lodge - Mansa

The Controlling Officer submitted that the client in question failed to adhere to their payment plan and had since been engaged to pay loan in full. Management had continuously engaged the client to recover the funds. The facility had been restructured to ensure that the project was operational for the Bank to recoup its funds.

Recently, DBZ offered its clients a COVID 19 interest relief in the hope that clients who took up the package would clear the arrears within three months from the signing date whilst enjoying interest relief. Henry Courtyard took up the package but failed to diligently service their loan facility. The Bank had since cancelled that facility.

Committee's Observations and Recommendations

The Committee notes the response and resolves to request a progress report on the matter.

xviii) Kapiri Glass Company Limited

The Controlling Officer responded that due to lack of funding for onward lending, the loan was not fully disbursed to the project to provide the requisite working capital to complete the factory set-up and operationalise the factory. The Receivers was removed purely on account of dismal performance. Appointment and discharge of receiver managers was a prerogative of the Bank.

The Bank had received interest from an Australian and South African Company over the purchase of Kapiri Glass. The Industrial Development Corporation and ZCCM Investment Holdings had also expressed interest to renegotiate the purchase of Kapiri Glass and negotiations were on-going with the Receiver. It was expected that the sale would be completed before the end of 2021 or by the second half of 2022.

In relation to the court matter, the Judge set aside the notice of claim and ordered that the sale of the goods seized and an execution be stayed in order to pave way for amicable engagement over the settlement of the judgement debt for a period of 90 days. Thereafter, the judgement creditor could renew its application to execute. Kapiri Glass had since filed their notice of appeal to the said judgment.

Committee's Observations and Recommendations

The Committee expresses concern at the high incidences of appointment and removal of receivers by DBZ. The Committee further notes that this is a costly venture and therefore, urges the Controlling Officer to direct management to conduct stringent due diligence before appointments are made. The Committee notes the response and resolves to await an update on the sale of Kapiri Glass and on the court matter.

xix) Star Energy-Failure to Disburse Loan

The Controlling Officer submitted that due to lack of funding for onward lending, the loan could not be disbursed in full to facilitate fully implementation of the project. The Bank had taken all necessary options available to it to recover the funds. The client had since been put under receivership.

Committee's Observations and Recommendations

The Committee notes the response and reiterates its concern on the partial disbursement of loan amounts. The Committee will await an update on the repayment of the full loan amount.

xx) Muleka Investments Limited

The Controlling Officer responded that the reasons behind poor loan repayment included weak cash flow from the project. The client did not use funds as intended and as a result the Bank had engaged the promoter to settle the loan in full. DBZ had since commenced process for legal action to recover the money.

Full disbursement to the project was hampered by liquidity challenges by the Bank and this had been addressed by ensuring that only loan facilities that were fully funded would be processed and approved. Going forward loan facilities would be approved when funding was ascertained and readily available for disbursement.

DBZ had proactively engaged the promoter who had committed to making a bullet payment to settle outstanding loan by the end of the fourth quarter this year. A shareholder's demand notice was sent to the client to prepare the commencement of legal action if the promoter failed to make payment of the loan as agreed.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and wonders whether the debt collection unit at DBZ is performing its duties effectively given that there is evidence that Muleka Investments is a profit making entity. The Committee expresses concern that the entity is not being actively pursued, and wonders if it is being given special treatment, especially in view of the fact that purpose of the loan also changed. The Committee is of the view that given the high incidence of NPLs, there is no reason why DBZ would fail to pursue a well performing entity and urges the Controlling Officer to ensure that the agreed bullet payment is made in the shortest possible time. The Committee will await an update on the matter.

4.4 Accounting Irregularities

4.4.1 Unsupported Payments

The Controlling Officer informed the Committee that while the observation was noted, it was important to indicate that all documentation was made available for the audit team to review. These documents were available and indicated that there were no irregularities in the processing of the payments. The matters referred to in the audit report were mostly unfounded.

The $5,604, 885 related to disbursements that were made to two clients namely Lamasat International and African Transmission. These were reflected on the client statements provided. The 184 payments had been identified and were for payments of goods and services. The payment vouchers were available.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit documents to support his submission to the Auditor General for verification, subject to which the mater should be closed.

4.4.2 Unretired Accountable Imprest

The Controlling Officer submitted that not all the imprest disbursed was retired by all staff on time as reported. DBZ had started to process disbursement of imprest and other allowances digitally. The Bank had started to ensure that all unretired imprest was fully recovered through payroll.

Committee's Observations and Recommendations

The Committee finds it unacceptable that officers were not retiring accountable imprest and recommends that stringent disciplinary measures should be instituted through deductions for any imprest unretired beyond the stipulated financial regulations. The Committee will await an update on the deductions for the outstanding imprest valued at K65, 540.

4.4.3 Missing Payment Vouchers

The Controlling Officer submitted that there were no missing payment vouchers. The 104 payments had been identified and were for payments of goods and services. The payment vouchers had been submitted for further review. The Controlling Officer expressed hope that controls that had been put in place were sufficient to guarantee the integrity of the Bank's payment systems.

DBZ had also recently computerised the payments process on the ERP platform, and all payments were processed on an integrated computerised system the ERP. This would improve financial management and controls moving forward.

Committee's Observations and Recommendations

The Committee notes that all payments have been digitised and are processed on an integrated computerized system. However, the Committee expresses concern at the failure to provide supporting documents for the payment and cautions against laxity by staff in the department responsible for accounts. The Committee directs the Controlling Officer to submit documents to support his submission to the Auditor General for verification, subject to which the mater should be closed.

4.4.5 Lack of Disposal Details

The Controlling Officer submitted that all the information was provided with regard to the stores requisitions and the vehicle log books. For fuel, DBZ topped up funds into the Total Tomcard. The drivers maintained a log book of their travels and once fuel ran out in a vehicle, the fuel was replenished via a Tomcard. Total Zambia Limited sent the Bank statements of consumption on a monthly basis. This was reviewed by the Human Resource Officer. For stores issues, requisitions were made to the Stores Department. The requisition was signed off and approved by the Head of Department.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit documents to support his submission to the Auditor General for verification, subject to which the mater should be closed.

5.0 Energy Regulation Board Ministry of Energy

Review of Operations

An examination of financial and other records maintained at the Energy Regulation Board (ERB) for the Financial Years ended 31st December, 2017, 2018 and 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

5.1 Budgeted Income

With regard the query on the negative variance between the budgeted funds and the collected funds, the Controlling Officer submitted that the Strategic Reserves Fund, Uniform Petroleum Pricing Fees and Electricity Strategic Fund had no annual target or budget figure because they were based on variable cost elements in the price build up and tariff award which were subject to periodic adjustments. She further submitted that the fuel marking fund on the other hand had a target or budget amount because it was based on projected and planned contractual obligations and activities annually. The Controlling Officer further informed the Committee that the ERB had submitted draft regulations which would be subjected to stakeholder consultation and enactment. It was envisaged that this would culminate into an enabling subsidiary legislation in form of a Statutory Instrument that would provide management guidelines and governance framework that would provide for the nature, objectives and operations of the Energy Fund.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that in the absence of an annual target or budget figure for the Strategic Reserves Fund, Uniform Petroleum Pricing and Electricity Strategic Fund, it was difficult to determine and measure how effective the ERB was operating with respect to the management of the Energy Fund. The Committee recommends that the ERB should expedite the process with regard to the draft regulations which were envisaged to form the basis for the enabling subsidiary legislation. This will provide the management and governance framework that will provide for the nature, objectives and operations of the Energy Fund. The Committee further urges the Controlling Officer to ensure that the Board adheres to the provision of Section 20 (a) of the *Public Management Act No. 1 of 2018* which provides for the need to ensure that revenue was properly forecast taking into account other binding constraints within the macro-economic framework. The Committee resolves to await a progress report on the matter.

5.2 Management of the Energy Fund

The Controlling Officer acknowledged the Auditor General's observation that during the period under review, ERB managed four Energy Funds out of which three (3) formed part of the fuel pump price, namely Fuel Marking, Uniform Petroleum Pricing and the Strategic Reserve Funds while the fourth was the Electricity Strategic Reserve Fund. A review of documents relating to the management of the Energy Fund maintained at the Energy Regulation Board (ERB) during the financial years ended 31st December 2016, 2017, 2018 and 2019 revealed the following:

5.2.1 Failure to Prepare Financial Statements

The Controlling Officer submitted that the Auditor General's observations were noted. She further submitted that draft financial statements for the period under review (2016 – 2019) had been submitted to the Auditor General for certification in line with the provisions of the *Energy Regulation Act No.12 of 2019*. Further, the Committee learnt that as part of the governance process, in the absence of certification, quarterly reports were prepared and considered by the Board. Transaction audits were also being conducted by the Office of the Auditor General. The

Controlling Officer also submitted that to circumvent the delay to certify the financial statements, the ERB had put in place electronic systems to ensure timely capture of information and had also agreed with the auditors on the required format before the statements were certified.

Committee's Observations and Recommendations

The Committee expresses concern over the failure to prepare and submit financial statements in abrogation of Section 58(1) and (2) (b) of the *Public Finance Management Act No. 1 of 2018* which directs that statutory body should submit audited and certified financial statements within one month after the end of the financial year. The Committee observes with extreme concern that in the absence of financial statements, there is no complete accountability of funds and evaluation of the financial performance of the Energy Fund. It is the Committee's considered view that the excuse not to have submitted the statements in time, due to delayed certification by the Auditor General and lack of an agreed format is an inadmissible excuse. The Committee recommends that the Board should strictly adhere to the provisions of the law. The Committee recommends that disciplinary action should be taken against the staff who failed to ensure that the format for certification was adhered to. The Committee further resolves to await a progress report on the certification of the statements by the Auditor General and on the disciplinary action taken against the officers who failed to execute their duty.

5.2.2 Strategic Reserve Fund Outstanding Strategic Reserve Fund Fees K 13,922,220

The Controlling Officer submitted that the observations by the Auditor General with regard to the outstanding amount of K13,922,220 as at 9th March, 2021, were noted. The Controlling Officer submitted that K2,648,849.68 had since been paid , leaving a balance of K5,220,046.11. Furthermore, the outstanding balances related to three Oil Marketing Companies (OMC's), two of which were being settled under installment plans, while enforcement action had been instituted against Ravasia which owed K 4,661,734.68, on 20th October, 2021, after it failed to honour the time to pay agreements. The Committee was further informed that the liquidation process of the sixth OMC, Continental Oil which owed K 6,053,324, was still ongoing as the Bulk Fuel Storage depot, which was the last asset, had not yet been sold. The Controlling Officer also informed the Committee that much of the outstanding debt was historical and that the invoicing of the OMCs was on a self assessment basis were the OMC had to sell the petroleum thereafter pay for the reserve fees. The Committee also learnt that the Board had no dedicated unit to inspect and collect the debt in the past and that the Board was using a manual. She further submitted that an inspectorate had been put in place and that the system had been mechanised.

Committee's Observations and Recommendations

The Committee is disappointed to note that ERB failed to enforce collection of the outstanding debt from Ravasia considering that the submission and the evidence presented to the Committee showed that enforcement was only executed on 20th October, 2021 before the Board appeared before the Committee. It is the Committee's considered view that even though the system was manual and that there was no dedicated inspectorate, there was laxity on the part of management and failure to collect the fees in a timely manner. The Committee strongly urges management to take a more proactive approach with matters that relate to revenue collection as failure to do so denies the Treasury the much needed revenue. The Committee further recommends that the Board must put up measures to avoid recurrence of the query. With regard to Continental Oil, the Committee is disappointed to note that the Board failed to institute enforcement action before the OMC was liquidated. The Committee directs the Controlling Officer to institute disciplinary action against officers who failed to ensure that enforcement was undertaken before the OMC was liquidated, as there is no justification why this was not done. The Committee resolves to await a progress report on the collection of all the outstanding fees.

5.2.3 Fuel Marking Outstanding Fuel Marking Fees K 7,767,150

The Controlling Officer submitted that fuel marking fees were built in the fuel price and were advised to licensees after the wholesale prices were announced. The Controlling Officer also informed the Committee that out of the outstanding amount of K7,767,149.86, as at the time of the last verification, K4,397,858 had since been paid leaving a balance of K3,369,291.28. The Controlling Officer further informed the Committee that nine OMCs had outstanding payments ranging from fourteen to twenty seven months. Enforcement had since been undertaken from 20th October, 2021. Documentary evidence on the status of the outstanding balances of each OMC was available for verification.

Committee's Observations and Recommendations

The Committee observes with consternation the laxity on the part of management to ensure that the engaged licensee collects the fuel marking fees in the stipulated period as opposed to having unjustified prolonged periods of unremitted fees. The Committee is disappointed to note that the ERB is reactive, as most of its enforcement was undertaken prior to its appearance before the Committee. In this regard, the Committee directs the Controlling Officer to mete out disciplinary action against officers who failed to ensure that the licensee collected the fees, as there is no justification as to why the money was not collected. Further, the Committee directs the Controlling Officer to ensure that the query does not recur. The Committee urges the Controlling Officer to ensure that the ERB ramps up its efforts to collect the outstanding amount of K3, 369,291.28 and resolves to await a progress report on the matter.

5.2.4 Uniform Petroleum Pricing Fund

The Controlling Officer informed the Committee that the Ministry of Energy commenced the implementation of the Uniform Petroleum Pricing Mechanism (UPP) in September 2010. She submitted that the purpose of the UPP was to keep the fuel prices uniform in the country at all retail stores. In this regard, the Ministry engaged Ashfield Resources (Z) LTD an independent manager at a contract sum of K3, 431,505 on 21st September, 2010 for duration of one year up to 20th September 2011 for the purpose of ensuring that the UPP fund was maintained to allow for contributions into the Fund and claims out of the Fund. The Controlling Officer submitted that she was in agreement with the Auditor General regarding the observations outlined below.

i) **Re-engagement of Consultant for the UPP Mechanism Failure to follow Public Procurement Guidelines**

The Controlling Officer submitted that it was regrettable that the Ministry did not adhere to Regulation 134 (1) of the Public Procurement Regulations No. 63 of 2011. She further submitted that for the 2011 contract the then Ministry of Energy and Water Development requested for authority from Zambia Pubic Procurement Authority for an extension of one year, to which authority was granted. The Committee also learnt that the Ministry further contracted Ashfield Resources for 2013 and 2016 on an open bidding basis. However, prior authorisation for the extension of the contracts beyond one year was not obtained. The Controlling Officer further submitted that as a corrective measure, the Ministry had obtained prior authorisation for the 2021 to 2023 contract from ZPPA for the period of three years.

Committee's Observations and Recommendations

The Committee is perturbed with the failure by the Ministry of Energy to adhere to the provisions of the section 134 (1) of the Public Procurement Regulations of 2011. In addition the Committee finds it odd that the Ministry opted to request for an extension of the contract as opposed to having planned in advance to retender for the engagement of a consultant to undertake a UPP. The Committee questions the ministry's preference to only engage Ashfield as opposed to undertaking an open tender. The Committee is of the view that this creates a platform for collusion and failure to acquire consultancy services at a competitive price. The Committee directs the Controlling Officer to ensure that there is transparency in the engagement of the UPP consultant. With regard to the new contracts, the Committee directs the Controlling Officer to submit documentary evidence to the Auditor General for verification. The Committee will await a progress report on the matter.

ii) **Uncompetitive Engagement of Ashfield**

The Controlling Officer submitted that the Auditor General's observation that the Manager of Ashfield Resources Zambia Limited was also the Executive Director of Ndola Energy Company, which was awarded the contract to supply heavy fuel oil for the production of electricity, and that he was also a shareholder in both companies was correct. She further submitted that the contracts awarded to Ashfield Resources Zambia Limited and Ndola Energy Company was drawn from two different and unrelated processes. In addition, the then *Procurement Act No. 2 of 2008* did not provide for an analysis of a bidders shareholding profile. In this regard, the shareholding information was not part of the evaluation process. Further, the contract sum being increased every time was due to the increase in scope due to the increase in filling stations being contracted and other associated costs coupled with inflation.

Committee's Observations and Recommendations

The Committee finds it out of the ordinary that the Ministry of Energy engaged the manager of Ashfield Resources Zambia Limited who was also the Executive Director of Ndola Energy Company, which was awarded the contract to supply heavy fuel oil for the production of electricity. The Committee is of the considered view that this raises concern and underplays the fundamental principles of transparency, competition, fairness and value for money. While noting that the Ministry extended its earlier contract with Ashfield Resources Zambia Limited for three years and that the ministry signed another contract in 2021, the Committee is mystified that the Controlling Officer failed to demonstrate that Ashfield Resources Zambia Limited is the only company in Zambia that is able to provide the specialised consultancy service, considering that the ministry first engaged the entity in 2010. In view of the foregoing, the Committee directs that the Controlling should submit the newly signed contract to the Auditor General for verification, and all the documentary evidence to show that all tender procedures were followed, in the extension of the contract for Ashfield Resources Zambia Limited. The Committee also recommends that the Secretary to the Treasury should ensure that the Ministry of Energy and the Energy Regulation Board build capacity to undertake the UPP mechanism. The Committee resolves to await a progress report on the matter.

iii) Failure to Avail Contract

The Controlling Officer submitted that it was regrettable that there was no contract in place during the period under review as the ministry was in the process of concluding the procurement process and receipt of clearance of the contract by the Ministry of Justice. However the services were necessary as they were aligned to Government policy implementation of uniform petroleum pricing mechanisms. However, going forward measures had been put in place to ensure that procurement procedures were concluded in good time before the contract elapsed. The Controlling Officer further submitted that failure to avail the contract was due to the changes and shifts in the Ministries from the Ministry of Energy and Water Development to the Ministry of Energy.

Committee's Observations and Recommendations

The Committee observes with concern the failure by the Controlling Officer to avail the relevant documents with regard to the contract and directs that disciplinary action should be meted out against the substantive superiors and all officers who failed to avail the contract in question during the audit period. The Committee finds it unacceptable that the Ministry failed to adhere to the provisions of the *Public Procurement (amendment) Act No.15 of 2011* and opted to proceed to engage Ashfield Resources Zambia Limited in the absence of a contract in a bid to adhere to government policy on the implementation of UPP mechanisms. The Committee directs the Controlling Officer to ensure that this query does not recur as it easily lead to overpricing of consultancy services resulting in loss of funds when the due process is not adhered to. The Committee directs that the alleged signed contract should be submitted to the Auditor General. The Committee resolves to await a progress report on the matter.

iv) Failure to collect funds K 76,338,855

The Controlling Officer submitted that the observations of the Auditor General were noted. She further submitted that the claims and contributions for OMCs as submitted by Ashfield Resources Zambia Limited were verified by the Ministry of Energy and thereafter submitted to the ERB for payment. In order to manage the UPP Fund, refunds were linked to contributions before payment was made. This meant that those OMCs whose refunds were higher than contributions, were engaged so that the refund and contributions were matched and paid or received. The Controlling Officer further submitted that each OMC was dealt with on a case by case basis and refunds were only paid to OMCs which did not owe contributions or committed on a "swap basis". The Committee learnt that out of the outstanding amount of K76,338,885 as at the last verification, K46,922,614 had since been paid, leaving a balance of K29,416,241.

The Controlling Officer further apprised the Committee that the UPP mechanism worked on the basis of a formula that determined the OMC's which uplifted fuel from nearby depots and paid into the fund, whilst those traveling longer distances claimed from the fund. Therefore, at each given moment, there would be claims and contributions whose net effect should be equal and exceptions would arise in instances where the product was not available at the designated government depots. Furthermore, the MOE and the UPP manager conducted verifications on all the claims and contributions before authorising payment by ERB.

Committee's Observations and Recommendations

The Committee expresses concern at the way in which the ministry is managing the collection of UPP funds. The Committee notes that the amount owed by OMCs was higher than what ERB owed which is at variance with the submission that the refunds are linked to contributions and that at each given moment there would be claims and contributions whose net effect should be equal. It is the Committee's considered view that the Treasury is denied the much needed revenue and that there is unauthorised utilisation of UPP funds by defaulting OMCs. The Controlling Officer is urged to ensure that as a matter of urgency, management of the UPP funds is enhanced. The Committee directs that all documentary evidence should be submitted to the Auditor General and that payment of the outstanding contributions should be followed up expeditiously. The Committee will await a progress report on the matter.

v) Unpaid Claims K40,547,098

The Controlling Officer submitted that out of the outstanding amount of K40,547,098 at the time of the last verification, K17,456,748 had since been paid, leaving a balance of K22,994,289. She further submitted that out of the outstanding balance, various actions had been taken which included; offsetting of amounts against future contributions, reconciliations of amounts between the Ministry and Ashfield, and enforcement actions.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs that documentary evidence should be submitted to the Auditor General. The Committee will await a progress report on the matter.

5.3 Electricity Strategic Reserve Fund

The Controlling Officer apprised the Committee that that the Electricity Strategic Reserve Fund (EFS) was implemented in 2014. The computation of the EFS levy was done at the rate of 1 per cent of the additional gross revenue resulting from the ZESCO 16 per cent tariff increase of 1st July 2014, on domestic monthly sales. She further submitted that the EFS levy was an intervention mechanism to mitigate the level of load shedding. In light of the above, the Controlling Officer submitted that the observations of the Auditor General as outlined below were correct.

5.3.1 Failure to collect EFS Levy K25,520,403

The Controlling Officer submitted that out of the amount of K25,520,403 as at the last verification, K3,543,751 had since been paid, leaving a balance of K21,976,652. ZESCO was scheduled for an enforcement hearing at which options would be implemented. The Controlling Officer further informed the Committee that the EFS levy was one of the mechanisms through which ZESCO had to contribute to K 465 million which was the money that had to be raised in the short term to facilitate for the importation of to 133MW of emergency power from South Africa Power Pool (SAPP). The Committee also learnt that the customers were put in categories and charged the ESF rate for additional revenue and that the residential customers were charged an extra 0.32 per cent while commercial customers were charged an extra 0.19 per cent as contribution to the 1 per cent weighted average

Committee's Observations and Recommendations

In noting the response from the Controlling Officer, the Committee is disappointed that ZESCO failed to remit the EFS levy, even though it had already sold power to residential customers through prepaid meters. The Committee found it unacceptable that the residential consumers had paid for electricity at a higher rate than the normal as a contribution to the K465 million, while ZESCO was not remitting the payments to ERB. The Committee expresses doubt, on the management of the EFS fund and on whether government will be able to raise the K 465 million to clear the outstanding debt owed to the suppliers of the imported power. In this regard, the Committee strongly urges the Secretary to the Treasury to intervene on the matter. The Committee also recommends that the Secretary to the Treasury should re-evaluate management of the EFS Levy considering that the fundamental reason for its establishment was to raise the K 465 million as a short term measure. The Committee resolves to await a progress report on the recovery of the outstanding EFS Levy from ZESCO.

5.3.2 Failure to provide Documentation and to meet Target

The Controlling Officer submitted that the amount of K465 million referred to was an estimate of the total cost of 133 MW of power imports at the time to meet the shortfall. The Electricity Strategic Fund was a one off dispensation that was meant to contribute to the K465 Million required to import the power. In that regard, there was no physical document in which the short term had been defined and consequently the short term was to be understood in the context of the period in which the country had power deficits owing to the poor rains, and needed to import power. Therefore, one of the objectives of introducing the Electricity Strategic Reserve Fund was to raise funds to immediately finance the importation of power to avert load shedding. Furthermore, the short term referred to the period in which the country needed to import power to mitigate the power shortage.

Committee's Observations and Recommendations

The Committee notes the response and is disappointed that the Controlling Officer was not clear on whether the Government will continue to charge EFS Levy considering that it was a short term measure only for the purposes of importing power at the time the country experienced power deficits. The Committee directs the Secretary to the Treasury to provide a road map on the management and existence of the Electricity Strategic Reserve Fund and to ensure that proper terms of reference and periods are provided. The Committee will await an update on the matter.

5.3.3 Failure to create a pool of resources

The Controlling Officer submitted under section 43 of the new *Energy Regulation Act No.12 of 201,* there was a provision for the creation of the Energy Fund which would be used to respond to, among other things, strategic funds needs in the electricity sub-sector. She further submitted that even though the Fund had been created, there were no supporting regulations and guidelines which had been passed to operationalise the Fund. However, the said regulations and guidelines had been drafted and submitted to the Ministry of Energy.

Committee's Observations and Recommendations

The Committee expresses concern at the Government's the laxity to expedite the process of approving the guidelines which will operationalise the Energy Fund. The Committee directs the Controlling Officer to ensure that this is promptly done and the Committee will await an update on the matter.

6.0 Indeni Petroleum Refinery Company Limited Industrial Development Corporation

An examination of financial and other records for the Financial Years ended 31st December 2017, 2018 and 2019 maintained at INDENI Petroleum Refinery Limited in Ndola revealed various irregularities to which the Controlling Officer responded as set out below.

6.1 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that INDENI generated revenue in amounts totaling K 1,300,109,276 against a budget of K 1,259,585,000 resulting in an overall positive variance of K 40,524,276 was correct. The Controlling Officer further submitted that while INDENI was under care and maintenance, management was hopeful that it would resume its operations promptly.

Committee's Observations and Recommendations

The Committee notes the Controlling Officers submission and resolves to close the matter subject to audit verification.

6.2 Financial Analysis

6.2.1 Statement of Comprehensive Income Refinery Operating Costs

The Controlling Officer submitted that the refinery operating cost in United States Dollars per metric tonne (USD/MT) was a function of throughput. Throughput was the amount of production arising from processing feedstock. The planned throughput for 2019 and 2018 against the actual were 720, 288 MT (700,256MT) and 738, 000 MT (646,907MT) respectively. This poor production performance was due to the limited availability of feedstock. Therefore, the intended throughput in the years 2018 and 2019 were not attained, hence giving a higher operating cost per MT.

Management had proposed the measures and strategies outlined below which were meant to reduce the operating costs to acceptable standards.

i Strengthening liaison with the Ministry of Energy to ensure that the supply of crude oil feedstock was uninterrupted throughout the year, thereby increasing the stream days for operations and reducing the Refinery Fuel Consumption and Loss (RFCL).

ii Reduction in number of plant shut downs due to lack of ullage/ tank storage space and also enhanced plant reliability through equipment investment and new tanks construction, as stated in the second Strategic Plan. This would in turn reduce the operating cost by optimising the RFCL.

iii In addition to the investment in equipment and technologies which would reduce the operating cost as was proposed in the Strategic Plan for 2017 to 2021, the following was being pursued: periodic review and optimisation of maintenance costs and chemical consumption; and reduction of labour costs against the various set key performance indicators (KPIs).

iv INDENI management was pursuing an avenue of backward integration, where INDENI would possibly import its own crude oil feedstock to ensure uninterrupted supply and operations that eventually affected its operating costs.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to await a progress report on the outcomes of measures instituted by INDENI management to reduce operating costs.

6.2.2 Statements of Financial Position - Receivable Turnover Days/Debt Collection

The Controlling Officer submitted that overdue receivables were attributable to amounts owed by the Government through the Ministry of Energy (MOE). The receivable amount of K88 million as at 31st December 2019 mainly represented the unpaid invoices for processing fees for November and December 2019. The invoices outstanding for November and December 2019 were paid on 7th January 2020 and 17th February 2020 respectively. Going forward, INDENI would continue its engagement with the MOE in order to improve the collection period.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

6.3 Operational Matters

6.3.1 Failure to Operationalise the Bitumen Plant

The Controlling Officer submitted that the bitumen plant was successfully commissioned after the rehabilitation works which were completed by end of 2014. The unit produced the first batch of bitumen in 2015 amounting to 359MT. The unit again ran in 2017 where it produced 1600MT of bitumen. This product was uplifted by PUMA energy and Colas. The continuous running of the bitumen plant had been hampered by the non-availability of suitable crude feedstock. The crude oil which was suitable for bitumen production was required to be heavy with high Aphaltene content. INDENI Refinery successfully produced bitumen from three crude oils namely; Iranian Heavy, Abu Safah and Arab Medium. The crude feedstock blends that had been available after 2017 such as Oman and Murban had been deficient in asphaltenes and therefore, not suitable for bitumen production. The most significant run of the bitumen plant in 2017 was achieved when the Refinery was processing Abu Safah feedstock.

INDENI management had proposed appropriate feedstock cargo composition suitable for bitumen production and continued to engage the procurer of the raw material, that was, Ministry of Energy, for the realisation of this programme. Furthermore, INDENI had instituted a program to conduct periodical test runs of the unit to ensure that it was in good operational state. The bitumen plant was put on test runs in 2019 and 2020 and both runs proved successful in the operability assessments.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response with disappointment as it is of the considered view that management lacked a practical implementation strategy on how to utilise the bitumen plant. In this regard, the Committee urges the Controlling Officer to ensure that the Ministry of Energy procures the raw material necessary for the operation of the bitumen plant as it has been installed at a great cost. The Committee will await an update on the matter.

6.3.2 Discrepancies in Metered Stock feed between Tazama Pipelines and INDENI Refinery

The Controlling Officer submitted that the variances recorded fell in the category of TAZAMA pipeline consumption and loss. TAZAMA had an allowable consumption and loss of 1.48 per cent WT (per cent WT, weight) provided for its operations. TAZAMA pipeline consumption and loss was 0.27 per cent WT in 2019, 1.44 per cent WT in 2018 and 0.40 per cent WT in 2017. He further submitted that they were within the allowable consumption and loss provided. The pipeline consumptions and losses were by TAZAMA and were the source of the data and the custodian monitor of the feedstock movement on behalf of the Government.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to close the matter, subject to audit verification.

6.3.3 Technical and Operational Key Performance Indicators - Shutdown days of the Refinery

The Controlling Officer submitted that during the period under review, INDENI management's actual shutdown days against the Energy Regulatory Board (ERB) set benchmarks were as set out below:

INDENI Refinery Shutdown Days set by ERB

Year	Benchmark	Actual	Excess Shutdown Days
	Days	Days	Days
2019	50	46	(4)
2018	45	72	27
2017	40	72	32

a) In 2019 - The 145 shutdown days reported by the Auditors for 2019 were incorrect. The actual shutdown days were forty six which was within the ERB benchmark.

b) In 2018 - INDENI recorded seventy two actual shutdown days against a benchmark of forty five. The twenty seven excess days were mainly due to ullage (difference between the product level and the maximum level that tank could hold) constraints in gasoil tanks and due to lack of feedstock which were external factors.

c) In 2017 – seventy two actual shutdown days against a benchmark of forty. The thrity two excess days were mainly attributed to ullage constraints in the premium tanks and lack of feedstock which were both external factors.

Feedstock was procured by the Ministry of Energy; hence non availability of crude oil was external to INDENI.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to close the matter, subject to audit verification.

6.4 Procurement Matters

6.4.1 Goods paid for but not delivered

The Controlling Officer submitted that items on Order No: PRO-2018-00631 amounting to USD5,169.11 were still outstanding. He further submitted that as per the packing list, the items in question were part of the order and were to be delivered at the same time. However, upon receipt, INDENI management discovered that the items were not in the boxes as indicated on the packing list. INDENI management and the supplier agreed to the matter through a trade-off on subsequent orders from the same organisation. INDENI management was running a tender on new spares under which the recovery of the value of the undelivered goods would be undertaken.

Committee's Observations and Recommendations

The Committee expresses concern at the Controlling Officer's response and directs him to ensure that a mechanism is put in place for inspection of goods before they are shipped. The Committee is not satisfied that INDENI is relying solely on a packing list, especially in this modern era when photographic or video evidence can be used to ascertain goods. The Committee will keep the matter open until new spares to the value of the undelivered goods are supplied, otherwise it will be deemed wasteful expenditure. The Committee will await an update on the matter.

6.4.2 Contract for Rehabilitation of Tank Basements

The Controlling Officer submitted that INDENI committed to complete the scope since the contractor failed to source the mentis grating and was subsequently not paid for the part of the scope not executed. INDENI proceeded to cut and install the drain pit covers for pits S3, S40, S42, S33, S34, S24, S25, S37, S38 and S40. He further informed the Committee that as at 31st March 2021, work order WO 2021-0004 was raised and mentis grating covers were installed on all the affected tanks.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

6.5 Unreimbursed Funds – Nitrogen Chemicals of Zambia K927,876.28

The Controlling Officer submitted that an amount totalling K927,876.28 had since been recovered from the IDC through a debt swap and the motor vehicle, registration number BAG 8153 was in the custody of INDENI.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

7.0 Kwame Nkrumah University Ministry of Education

An examination of financial and other records for the Financial Years ended 31st December 2017, 2018 and 2019 maintained at the university revealed various irregularities to which the Controlling Officer responded as set out below.

7.1 Budget and Income

The Controlling Officer informed the Committee that the negative variance of K3, 258,091 was caused by the underfunding from the Ministry of Finance, which was supposed to fund the institution with amounts totalling K 44,053.724. Furthermore, with regard to internally generated funds, the Controlling Officer submitted that the country recorded an outbreak of cholera in October, 2017 up to May, 2018. Consequently, the outbreak inevitably caused Higher Learning Institutions to halt their operations, in line with Public Health tenets which caused the university not to achieve its budgeted revenue target by 0.58 per cent. In addition, the Committee also learnt that the underfunding and under collection was offset by the reduction in expenses such as electricity, water and food supplies as the students were not in campus due to the closure of the university.

Committee's Observations and Recommendations

The Committee expresses concern with regard to the underfunding, as this has a negative impact on the delivery of service by the university. The Committee recommends that the Treasury should ensure that the university is adequately funded. The university should also ensure that it devises strategies to enhance revenue collection and improve the status quo. The Committee directs that all documentary evidence should be submitted to the Auditor General, for verification subject to which the matter should close.

7.2 Operational Matters

The Controlling Officer submitted that section 12, second schedule of the *Higher Education Act No.4 of 2013* provided for submission of the annual report to the Minister not later than six months after the expiry of the financial year. The Controlling Officer submitted that contrary to the Act, the university did not submit annual reports for the financial years 2017, 2018 and 2019 as at 31st December 2020 and informed the Committee as set out below.

7.2.1 Failure to Submit Annual Reports

The Controlling Officer submitted that he acknowledged as correct the observation by the Auditor General and further indicated that the query arose due to lack of substantive office holders as the university was undergoing a transition period between 2017 and 2019. The transition included putting in place management structures, hence the non-submission of Annual Reports.

He further submitted that this included the laying of a foundation for certification of annual financial statements for the first time. The university engaged the Office of the Auditor General to certify the financial statements for the period 2018 and 2019 which were due for signing. The Office of the Auditor General was in the process of auditing the financial statements for the Financial Year ended 31st December, 2020. In this regard, the university would submit annual reports after completion of the audit of the financial statements and the university would be up-to date by 2022.

Committee's Observations and Recommendations

The Committee observes with concern that in the absence of annual reports, it is difficult to undertake a systematic assessment of the university's performance. While noting the Controlling Officer's submission, the Committee finds it unacceptable that the university failed to adhere to the requirements of the law provided for in section 58 of *the Public Finance Management Act No. 1 of 2018.* The Committee further expresses concern that failure to produce annual reports is not in tandem with good governance and urges the Controlling Officer to ensure that this query does not recur. Accordingly, the Committee urges the Controlling Officer to mete out disciplinary action against all principal officers who failed to prepare the annual reports as the excuse of non substantive office holders is inadmissible. The Committee directs that all supporting documents should be submitted to the Auditor General for audit verification. The Committee will await a progress report on this matter.

7.2.2 Declining Student Enrolments

The Controlling Officer submitted that the observation by the Auditor General that the enrolment of students had dropped by 80 per cent from 2,586 in 2017 to 511 in 2020 was correct. He further apprised the Committee that the university had been offering teaching programmes from its inception. Over the years, the country had registered an increase in institutions offering teaching programs which had negatively affected enrolments at the university. Furthermore, he informed the Committee that the university had diversified, by developing non-teaching programmes in the School of Business Studies and School of Natural Sciences which was meant to improve the student enrolments from 2,023. The university had also put in place a marketing plan to market its programs with a view of increasing its enrolments. The Committee also learnt that the university had a strategic plan where one of the objectives was to recruit 4000 students per year and increase the student population to 12,000 by the year 2024.

Committee's Observations and Recommendations

The Committee is disappointed to note that the university has dwindling student enrolments due to competition in the market and that the university failed to take advantage of its strategic advantage as a public university to maintain high student enrolment. The Committee urges the Controlling Officer to implore management to implement strategies that will help to improve and maintain high student enrolment. The Committee is also of the view that the public university has a duty to ensure that the quality of education is maintained in the country. The Committee resolves to await a progress report on the matter.

7.2.3 Lack of University representation on the Decision-Making Board of Affiliate College Green Park University College

The Controlling Officer informed the Committee that the observation by the Auditor General that the university did not adhere to section 37(2) *Higher Education Act No. 4 of 2013* was correct. He further submitted that the university had challenges with Green Park University College of Lusaka from the time it was affiliated. Green Park University College took the matter to court and the matter was still active. The Controlling Officer further submitted that Green Park University was one, among many other affiliates with whom the university had challenges with regard to affiliation.

Committee's Observations and Recommendations

The Committee notes that the matter is active in the court of law. However, the Committee is perturbed to observe that the university council failed to undertake due diligence before engaging other affiliate colleges to ensure that the interests of the university were protected in line with the *Higher Education Act No. 4 2013* and section 57 of the *Public Finance Management Act No 1 of 2018* which emphasise the need to have government re-presentation in all statutory corporations. The Committee resolves to await a progress report on the matter.

7.2.4 Non-renewal of Affiliation Agreements with Affiliate Colleges

The Controlling Officer submitted that the query on non-renewal of affiliation agreements arose because the university was revising the system of college affiliation to enhance quality assurance which had since been implemented and documentary evidence was available for verification. Further, the university could not collect affiliation fees amounting to K36,000 from Green Park University College of Lusaka due to the misunderstanding which had since made the College take the matter to court. He further informed the Committee that the affiliation agreements between Kabwe Institute of Technology and Mpika College of Education had since been renewed. Furthermore, the university would initiate affiliation agreement renewals, six months before the expiry of the existing affiliation agreement.

Committee's Observations and Recommendations

The Committee reiterates its recommendation to await a progress report on Green College University. The Committee observes with concern that the university failed to avail documentary evidence during the audit exercise. The Committee directs the Controlling Officer to implore the university to take the audit exercise seriously. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should be closed.

7.3 Procurement Matters

The Controlling Officer submitted that the observation by the Auditor General that during the period under review, the university did not prepare procurement plans despite payment of allowances in amounts totalling K36,400 to eight officers on 14th March, 2017 for conducting a workshop on preparation of a procurement plan was correct. He further submitted as outlined below.

7.3.1 Failure to Prepare Procurement Plans

The Controlling Officer informed the Committee that at the time of the audit, the Procurement Plan could not be availed due to changes in staff in the Procurement Unit. The Procurement plan had since been found and was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern over the failure by the university management to avail the procurement plan during the audit exercise due to changes in the staff procurement unit. The Committee finds it unacceptable and highly irregular. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against supervisors who failed to ensure the procurement plans were availed to the auditors in order to deter others from such laxity. The Committee further directs the Controlling Officer to ensure that all relevant documents in support of the submission on the procurement plan are submitted to the Auditor General for verification subject to which the matter should close.

7.3.2 Supply of Furniture for the Lecture Theatre and Library K3,720,020

The Controlling Officer apprised the Committee that on 12th January 2018, the university engaged Roverline Marketing and Logistics for the supply, delivery and installation of furniture for the Library and other assets for Lecture Theatres at a total cost of K3, 720,020 with a delivery period of eight weeks. He further informed the Committee that the observations by the Auditor General outlined below, were correct.

(i) Overpayment on supply of Library Chairs

The Controlling Officer submitted that at the time of the audit the chairs which cost K 1500 per unit had not been assembled, and only the batch for the lower value chairs had been assembled. However, after the supplier assembled the remaining furniture which had not been assembled, the chairs were identified as having been correctly supplied and at the correct value as agreed in the contract, therefore, no overpayment arose.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and expresses concern at the exorbitant purchase price of K 1,500 per unit and directs that management should ensure proper use of meager resource. The Committee directs that a verification should be undertaken subject to which the matter should be closed.

(ii) Failure to Assemble Procured Items

The Controlling Officer submitted that the observation by the Auditor General was correct. However, the query arose because the delay in assembling the procured furniture was because the area of the library where the procured materials were to be installed was still being worked on. He further submitted that the furniture had since been assembled as per documentary evidence which was available for verification.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and finds it unacceptable that the university management undertook to procure items without having appropriate space to install the procured items. Further the Committee is dismayed to note from the documentary evidence that the assembly of the chairs was done after the expiry of the contract. In this regard, the Committee directs that disciplinary action should be meted against all the officers and their supervisors who failed to ensure that the works were done during the contract period. The Committee will await an update on the matter.

(iii) Undelivered Electronic Notice Board

The Controlling Officer submitted that the non-delivery of the electronic notice Board was caused by the supplier's inability to supply. The university had engaged the supplier and requested for a refund of the sum of K30,900 for undelivered electronic notice board and the supplier asked for more time to make the refund**.** Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee is perturbed to note that non-delivery of the electronic notice board was caused by the supplier's inability to supply. The Committee finds it unacceptable that management awarded a contract of such a magnitude to an inexperienced and incapable supplier. Further, the Committee notes that while the Controlling Officer submitted that management had engaged the supplier for a refund, the documentary evidence indicates that the supplier has asked for more time for the manufacture to consolidate and ship the item. The Committee is disappointed to note the lack of consistency in the submission and directs the Controlling Officer to mete out disciplinary against all officers in question and to promptly recover the funds with interest. The Committee will await a progress report on the matter.

7.3.3 Construction of university Laboratory Main Campus Questionable Award of Contract K 2,534,084

The Controlling Officer submitted that the observation made by the Auditor General was correct. He further submitted that at the time of audit, the minutes of the Procurement Committee were misplaced due to changes in staff in procurement unit. The minutes were traced and in that regard, the evaluation report and recommendation thereof which was presented before the university's procurement committee was duly approved during a meeting held on 5th February, 2018.

Committee's Observations and Recommendations

The Committee observes with consternation that minutes of the procurement committee were misplaced at the time of the audit. The Committee is aware that the auditors spent over a month at the university during the audit exercise but these documents were not availed. This indicates a poor filing of documents and the Committee directs that disciplinary action be instituted against all officers and their supervisors for failure to efficiently undertake their duty. The Committee strongly recommends that the Controlling Officer should ensure that proper filing systems are put in place and regular monitoring of the filing system is undertaken. The Committee resolves to await a progress report on the matter.

7.3.4 Uncompetitive Procurement K336,479

The Controlling Officer apprised the Committee that the university used to prepare food for the students at the canteen and the query arose because management single sourced the food for the canteen due to limited suppliers of food items such as beef and beans for students. Management had since stopped preparing foodstuffs for students as it was not profitable. Further, the university management had put in place measures to ensure that all procurements were competitively undertaken by obtaining a minimum of three quotations.

Committee's Observations and Recommendations

The Committee is dissatisfied with the response on the matter. The Committee observes that management failed to plan in advance considering that the purchase of food was not an emergency and proper tender procedures could have been followed. It is the Committee's view that management failed to ensure that the institution had qualified procurement officers. The Committee urges the Controlling Officer to institute appropriate punitive action against all officers involved in the blatant disregard of the law to deter others from such laxity. The Committee resolves to await a progress report on the matter.

7.4 Accounting Irregularities

7.4.1 Unsupported Entries in Edurole System Manually Posted Transactions K2,530,247

The Controlling Officer informed the Committee that the observation by the Auditor General was correct. He further apprised the Committee that the ZANACO Bill Master required students to deposit cash which was immediately reflected on the University's Students Information System. However, for Direct Transfers and cheque deposits, notifications were not sent to the individual student management system. He further submitted that these types of payments required to be processed manually. In most cases, this involved payment by sponsors who could not deposit cash. In addition, in some instances where the ZANACO Bill Master experienced technical challenges between the University Student Information Management System, the cash deposits only reflected on the University's Bank Account and did not automatically update in the student management system. In such cases, student payments were added manually. Furthermore, the Committee learnt that ZANACO Bill Master and University Student Information management had been improved to ensure that all student cash deposits reflected immediately thereby reducing manually added payments. For direct transfers and cheque deposits, manual postings were effected to the individual students' accounts supported by extracts from the University Bank account statements which were dully approved. Documents were available for verification.

Committee's Observations and Recommendations

The Committee expresses concern that management failed to avail supporting documentation during the audit exercise. The Committee is of the considered view that the use of manual entries could be an avenue for theft and strongly urges the Controlling Officer to ensure that internal controls are tightened to assure that all manually posted transactions are posted correctly and reconciliations with the bank statements are thorough. The Committee directs the Controlling Officer to ensure that all documentary evidence is submitted to the Auditor General for verification subject to which the matter should be closed.

7.4.2 Questionable Reversals of Transactions in the System K24,162,109

The Controlling Officer submitted that the ministry acknowledged the observation made by the Auditor General. He further submitted that the university used the Student Management System for all students' invoices. The system required students to report online and by doing so, invoices were automatically generated. However, the system had deficiencies hence generating double invoices and, in some cases, wrong invoice amounts.

He further submitted that the student management system had no functionality for processing of credit notes in case of wrong billing but had delete functionality. All wrong invoices deleted were processed as reversals and stored in the Student Management Information System data base for future reference and audit. The reversals amounting to K23,792,123 were meant to correct the wrong invoices on the student account. The sum of K369,986 was for journal debits for amounts wrongly credited to students' accounts by the bank. The Committee also learnt that during the year under review there was no loss arising from any correction of wrong billing. Furthermore, the Student Management System had been improved by avoiding double invoicing and also to allow processing of credit notes for each student account by corresponding to the amount being corrected. Further, the system was being developed to provide for system-based approvals.

Committee's Observations and Recommendations

The Committee is concerned that management was not proactive in resolving the issue of the faulty system and also for the failure to provide for approvals on the system. The Committee is also disappointed that there were no documents to support the wrong entries which were reversed. The Committee directs the Controlling Officer to implore the university management to expedite the cleanup of the system in order to mitigate such risky transactions. The Committee further directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should close.

7.4.3 Unsupported Payments K538,980

The Controlling Officer submitted that the Ministry acknowledged the observation made by the Auditor General and informed the Committee that the receipts were misplaced at the time of audit and had since been retrieved. Receipts were available for audit verification.

Committee's Observation and Recommendation

The Committee is dismayed with the submission that the receipts were misplaced at the time of the audit and that they have since been retrieved. The Committee finds it unacceptable that documents went missing during the audit process and strangely they were located just before the university appeared before the Committee. In this regard, the Committee strongly recommends that disciplinary action should be taken against the responsible officers to deter others from the rampant disregard of the law. The Committee further urges the Controlling Officer to take note of the provisions of section 82(k) of the *Public Finance Management Act No. 1 of 2018* The Committee will await a progress report on the matter.

7.4.4 Unretired Accountable Imprest K288,712

The Controlling Officer submitted that the documents relating to imprest by two serving employees amounting to K35,511 were retrieved and imprest retired accordingly, leaving a balance of K253,201 attributed to officers who left the University after the restructuring. The university had engaged the former employees to make them refund the imprest which was not retired during the time they were serving at Kwame Nkrumah University and the matter was still being pursued.

Committee's Observations and Recommendations

The Committee is disappointed that documents relating to two employees with amounts totalling K 35,511 were retrieved after the auditors had completed the audit exercise and therefore, the excuse from the Controlling Officer is inadmissible. The Committee urges the Controlling Officers to ensure that disciplinary action is meted on officers who flouted Financial Regulations by failing to retire imprest within the stipulated time. Furthermore, the Committee observes with concern that amounts totaling K 253,201 attributed to officers who left the university have not been recovered. In this regard, the Committee directs the Controlling Officer firstly institute disciplinary action against officers who failed to ensure that before the staff separate from the university, deductions were effected and secondly to engage investigative agencies to follow up the matter and to caution the supervisors who authorised payment of the funds in question and failed to ensure that retirement was done within the stipulated time frame. The Committee resolves to await a progress report on the matter.

7.4.5 Irregular Use of Accountable Imprest K816,986

The Controlling Officer informed the Committee that the Ministry acknowledged the observation made by the Auditor General, and that the cited amount was for office entertainment for senior Management. He further submitted that the university management had stopped procurements using imprest and all procurements were managed through the Procurement Unit to ensure compliance with the public procurement Act.

Committee's Observations and Recommendations

The Committee is dismayed with the wanton misuse of resources by the university management. The Committee observes that in one breath, the university management complained of underfunding while in another, the university had the luxury to spend K 816,986 on office entertainment. The Committee condemns the lackadaisical management of resources. The Committee urges the Controlling Officer to caution management against misuse of resources and to strictly follow financial regulations. The Committee further directs that all documentary evidence should be submitted to the Auditor General for verification, subject to which the matter should close.

7.4.6 Overpayment to suppliers K10,000

The Controlling Officer submitted that the mministry acknowledged the observation made by the Auditor General and informed the Committee that the overpayment was due to an arithmetical error on the purchase order. The supplier was engaged and had since refunded K10, 000. Documentary evidence was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that it had to take the auditors intervention for management to identify this anomaly. The Committee directs that the internal auditor should ensure due diligence is undertaken whenever there is a payment to be done. The Committee notes that a refund was done even though it should not have taken the auditors' query, for the supplier to refund. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should close.

7.4.7 Failure to Remit Tax K712, 705

The Controlling Officer informed the Committee that the non-remittance of Pay as You Earn (PAYE) for part-time Lecturers was due to payments made outside the main payroll. The university had since started remitting PAYE for part time lectures in instalments from July, 2021 by adding it to the monthly PAYE for permanent Staff and would pay in full by 31st December, 2021.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that it took such an inordinate time for the university management to identify the anomaly and to effect the remittance of PAYE. The Committee urges the Controlling Officer to impress upon management to adhere to financial regulations. The Committee further directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should close.

7.5 Lack of Receivable Management Policy K43,784,999

The Controlling Officer submitted that the observation by the Auditor General that the university had no receivable management policy and was owed K47, 784, 99 in tuition fees, was correct. The Controlling Officer further submitted that the university had a Financial Policy and Procedures manual which provided guidance on the management of receivables and provided for the following:

i. if fees remained unpaid beyond the stipulated period, students would not be allowed to sit for exams. Access to examination results would be restricted unless outstanding fees were paid in full;
ii. if the fees remained unpaid, the student would subsequently be notified in writing of the university's decision to take legal action to recover outstanding debt, including costs that may could be incurred e.g. commission and charges that had been incurred in debt collection; and
iii. the University might withhold the conferment of awards to students who had outstanding balances and re-enrolment would be applied.

The Committee also learnt that the university had most of its students on self -sponsorship from its inception in 2013 until up to 2019 when the Government extended its loan facilities to other Public Universities to which Kwame Nkrumah University students became beneficiaries. Only 204 students under the 2019 intake benefited from the loan scheme. As a result, the university had been billing its self-sponsored students who could not pay in full and opted for the payment plan which could not be fulfilled by the students. Furthermore, the university had been withholding certificates for graduating students with outstanding fees with a view of compelling them to pay before collecting the certificates. The Committee also learnt that the university had introduced e-services where only paid-up students could access the university services such as results, lectures and examination slips. These measures were new and students were being sensitised to ensure compliance.

Committee's Observations and Recommendations

The Committee cautions the Controlling Officer against the failure to ensure the proper accounting documents are put in place. The Committee is also concerned to note that the submission from the Controlling Officer suggests that there was no query as the institution had a Financial Policy and Procedures manual which provided guidance on the management of receivables. The Committee strongly urges the Controlling Officer to implore management to take the audit exercise seriously and to avail all relevant documents to the auditors in line with the provisions of the *Public Finance Management Act No. 1 of 2018*. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

7.6 Unaccounted for Stores K 65,570

The Controlling Officer submitted that the ministry acknowledged the observation made by the Auditor General and further submitted that the university had since retrieved the receipts and disposal details for verification. Disposal details were available for audit verification.

Committee's Observations and Recommendations

The Committee is dismayed by the response from the Controlling Officer which seems to suggest that there is nothing wrong with the failure to account for stores. The Committee strongly urges the Controlling Officer to institute disciplinary action against all officers responsible for this irregularity and to put in place mechanisms to ensure that officers henceforth perform their duties according to the Public Stores Regulations. The Committee directs the Controlling Officer to submit all the documents supporting the submission to the Auditor General for verification. The Committee resolves to await an update on the matter.

7.7 Management of Assets Lack of Title Deeds

The Controlling Officer submitted that the observation made by the Auditor General that the university had not secured title deeds for parcels of land valued at K 102,655,000 was correct. He further submitted that the delay in obtaining title deeds for five parcels of land as shown in the Table 1 below was caused by administrative lapses. He further informed the Committee that the university commenced the process of obtaining title deeds for its properties by engaging the Ministry of Lands. He further informed the Committee that an offer letter for property number KABW/1583 was obtained from the Ministry of lands and the university had since paid for service fees. The Ministry of Lands had since issued the survey diagram awaiting further action.

Furthermore, Stand No 2081, 613 and 614 which were formally under the Pan African Institute of Development for Eastern and Southern Africa were handed over to the university and these were on title which had been withheld by Pan African Institute of Development for Eastern and Southern Africa Representatives. The university had started the process of engaging the Ministry with a view of concluding the matter. Furthermore, Part of Stand No 1441 was handed over to the College as it were then and the university engaged the Government to have the property sub divided into its name and a taskforce was formed.

Table 1: Properties without Title Deeds

No	Details	Site Name	Land Value K	Buildings Value	Work in Progress	Total Market Value
1	Stand No. 2081	East Campus	7,130,000	16,610,000	35,255,000	23,740,000
2	Stand No. 1583	Main Campus	4,945,000	30,235,000	-	70,435,000
3	Part of Stand No 1441	Chimwemwe & Liseli Hostels/Staff Compound	510,000	5,785,000	-	6,295,000
4	Stand No. 614	Boarding House	145,000	495,000	-	640,000
5	Stand No. 613	Boarding House	245,000	1,310,000	-	1,555,000
		Total	**12,975,000**	**54,435,000**	**35,255,000**	**102,665,000**

Committee's Observations and Recommendations

The Committee expresses concern on the inordinate time it has taken for the university to acquire title deeds and that it is unacceptable for management to fail to execute administrative roles not until the auditors have raised a red flag. The Committee cautions the Controlling Officer that they risk losing these properties in an event that people encroach and claim ownership to the properties in question. The Committee directs the Controlling Officer to caution management against such laxity and resolves to await an update on the acquisition of the title deeds for all the properties in question with respect to the *Lands Act. No 29 of 1995.*

8.0 Local Authorities Superannuation Fund Ministry of Local Government and Rural Development

An examination of financial and other records maintained at the Local Authority Superannuation Fund headquarters for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer responded as set out below.

8.1 Budget and Income

The Controlling Officer submitted that notwithstanding the continued decline in contributions income due to non- admission of new members arising from the impact of the *National Pension Scheme Act No 40 of 1996*, the total actual revenue of K181, 862.491 was generated from January, 2018 to December, 2019 resulting in a negative variance of K36,299,719. The negative variance was as a result of low compliance by Councils to remit contributions and non-receipt of Government funding in 2018 resulting in non-investing of part of the funds, hence the huge variance in investment income of K35, 103,815.

The Controlling Officer informed the Committee that there was need for Councils to improve compliance in the remittance of pension contributions. There was also need for the Government to remit capitalisation funding annually amounting to K300 million to allow the investment of surplus funds.

Committee's Observations and Recommendations

The Committee expresses concern at the large negative variance. The Committee wonders whether it is prudent for the Fund to continue operating or that it would be better for the Government to pay off all the pensioners who are owed by the Fund and to migrate all the contributors to a more viable pension scheme. The Committee observes that the K300 million annual capitalisation proposed by the Controlling Officer will not make economic sense if the level of contributions and the number of contributors to the Fund cannot be increased. The Committee urges the Controlling Officer to ensure that efforts to enforce compliance on remittances from councils are ramped-up, as a matter of urgency. The Committee will await a progress report on the matter.

8.2 Management of Information and Communication Technology Systems (ICT)

8.2.1 Failure to adopt Information and Communications Technology Standards and Frameworks

The Controlling Officer submitted that the Fund's Information and Communication Technology (ICT) was policed using the ICT Security and Standard Policy which was first approved by the Board in 2009 and the second revision approved on 11th August, 2017. The Policy addressed ICT governance through several provisions as outlined below.

i. Data classification and data ownership was provided for in the ICT Security and Security Standard under clause 3.2 of the resource classification and clause 3.1 of the resource ownership respectively.
ii. Change was managed through change management procedures stipulated under clause 8.8 of the change control of the ICT Security and Standards Policy. The necessary change control documents for traceability and authorisation were also provisioned for in that standard.

Some of the CoBIT's standards and frameworks used in developing our policies included:

i. CoBIT DSS04.02 Maintain a Continuity Strategy – which was the basis used to come up with the Disaster Recovery Plan; and
ii. CoBIT DSS01.04 Manage the Environment – which was the basis of coming up with requirements for the newly commissioned server room.

The Controlling Officer explained that implementation of ICT Standards in the Fund was overseen by the ICT Security and Standard Policy. LASF would continue to improve its ICT standards as the information technology sector evolved.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit the ICT Security and Standard Policy to the Office of the Auditor General for audit verification, subject to which the matter should be closed.

8.2.2 Lack of Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP)

The Controlling Officer submitted that LASF Information Technology Department had implanted an approved Disaster Recovery Plan (DRP) that evaluated business continuity management options and had implemented a cost effective and viable continuity strategy that ensured enterprise recovery and continuity in an event of a disaster or major incident that disrupted operations in the event of a disaster in line with the CoBIT DSS04.02 Maintain a Continuity Strategy. The DRP was developed in phases as outlined below.

i. Phase 1 - Improved backup and restoration tests. This phase involved the collapsing of all physical servers into virtual units. This process was aimed at reducing infrastructure footprint. The milestone was achieved in 2017.
ii. Phase 2 – Externalise backup. Identify and develop an alternative backup and site. Infratel, formerly Zambia National Data Centre (ZNDC), was engaged to provide the offsite DRP. All servers were replicated remotely by Infratel. This phase demanded the identification of a data depository facility for data externalisation and Infratel was identified as the service provider. Backup externalisation was achieved by the end of 2019 following the approval by the Board.
iii. Phase 3 – Explore achieving a mini fully function alternative for recovery site (secondary site.)

The above phased approach was approved by the Board at its meeting held on 20th March, 2018. Further, the Fund in 2017 developed the Business Continuity Management Policy which was approved by the Board to provide policy guidance on the aspect of disaster receiver and business continuity. In approving the phased approach, the Board noted that the location of the site could either be fully owned by the Fund or shared with a suitable partner. In this case, sharing approach was considered as Infratel had all the high level technical equipment to address Business Continuity and Disaster Recovery Plans. Tests, backups and recovery procedures were described in the DRP.

The IT Disaster Recovery Plan outlined the recovery team comprising the IT personnel, selected Heads of Departments and the Executive and their roles. It further outlined the types of disaster and the necessary steps to follow and the level of authority to declare a disaster. The Controlling Officer explained that backup tests and disaster recovery to facilitate business continuity procedures were being undertaken with Infratel. All the Fund servers were replicated remotely by Infratel. The Fund had continued to implement the phased approach as approved by the Board.

Committee's Observations and Recommendations

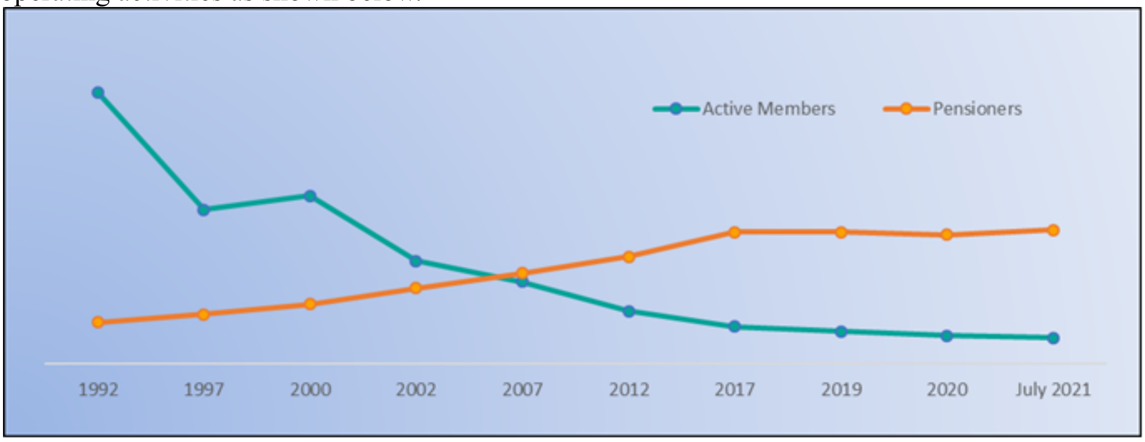
The Committee notes the Controlling Officer's response and resolves to close the matter subject to audit verification.

8.3 Financial Analysis

8.3.1 Statement of Changes in Net Assets Available for Benefits

(i) Increase in Losses after Benefits Paid

The Controlling Officer submitted that the Fund had continued to record losses after payment of benefits due to non-admission of new members arising from the impact of *National Pension Scheme Act No 40 of 1996.* LASF had not recruited new members since 1st February, 2000 and therefore, the contributions from members continued to decline. This had resulted into declining contributions income. The aggregated level of contributions from the active members was insufficient to cover accrued benefits to enable the Fund record any year end surplus from its operating activities as shown below.



Category/ Year	**1992**	**1997**	**2000**	**2002**	**2007**	**2012**	**2017**	**2019**	**2020**	**July 2021**
Active Members	27,483	15,552	17,000	10,377	8,290	5,314	3,737	3,265	2,811	2,596
Pensioners	4,167	4,961	6,000	7,630	9,115	10,832	13,327	13,296	13,032	13,511
Dependency Ratio	**6.60**	**3.13**	**2.83**	**1.36**	**0.91**	**0.49**	**0.28**	**0.25**	**0.22**	**0.19**

The membership trend above showed that with declining membership, contributions income was insufficient to cover pension cost expenditure and the result was losses. Since 2007, LASF had been recording losses. The Controlling Officer informed the Committee that the solution was in the Government opening the Scheme to new members and financing of the actuarial deficit. The pension reforms once implemented were expected to address the issue of declining contribution levels. Furthermore, contributions were essential in the generation of profitability and cash flow surplus. The draft National Social Security Bill prepared by the Ministry of Labour and Social

Security; Ministry of Finance; Ministry of Justice; and Ministry of Local Government had been scheduled to be presented to Parliament.

The Committee was informed that the New Scheme Design was considered and approved by the Board during its special meeting held on 18th March, 2021. The Fund further engaged the services of actuaries in this matter for actuarial input towards the envisaged New Fund Parameters. After full consultation with relevant stakeholders, the proposal was poised to be presented to the Government through Cabinet for approval. Once this new legal framework was achieved, the issue of the Fund recording losses and failing to achieve its mandate would be addressed and dependency on Government for financial support would eventually stop. The actuarial deficit reduced from K1.763 billion as at December, 2012 to K1.705 billion as at December, 2017 and further to K1.474 billion as at December, 2019. The Government through the Ministry of Finance and National Planning commenced capitalising LASF by financing the pension liabilities arising from the actuarial deficit. In 2017, 2018 and 2020, the Ministry of Finance and National Planning released K150 million, K251 million and K150 million respectively towards the capitalisation funding aimed at addressing the pension liabilities. LASF had requested the Government through the Ministry of Finance and National Planning to release K300 million in 2021.

In the short to medium term, the Government would need to fund LASF an average of K300 million per year until the actuarial deficit was cleared.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and expresses concern at the absence of a time frame within which the new legal framework is expected to be concluded. The Committee observes that the Government continues to release colossal sums of money to capitalise the Fund and there seems to be no end in sight to the poor state of affairs. The Committee urges the Controlling Officer to; ensure that the proposed legal framework to allow new entrants into the Fund is expedited; failure to which consideration should be made to wind up the Fund's operations. The Committee will await a progress report on the matter.

(ii) Decrease in contribution

The Controlling Officer submitted that the Fund was experiencing decrease in contributions arising from non-admission of new members on account of the impact of *National Pension Scheme Act No. 40 of 1996*. Consequently, the active contributing membership had reduced from about 17,000 in the year 2000 to 3,105 as at 31st December 2019, while the number of pensioners had increased from 6000 to 12,048 for the same comparative period. The impact of non-admission of new members had resulted in contributions income being insufficient to cover pension benefits. As a benchmark, contributions income should be equal to or more than pension benefit expenditure in a given period as this demonstrated a scheme's ability to settle benefits obligations as they fell due. The financing gap trend showed that since 2007, the pension liabilities had been accelerating at a higher rate than contributions' income resulting into a widening financing gap.

The Controlling Officer explained that the solution lay in the Government opening the Fund to new members as a basis for the Scheme to grow its membership as this would increase its cash inflow from contributions. Further, once pension reforms were implemented, it was expected that these would address the issue of declining contribution levels which were essential in the generation of profitability and cash flow surplus. The draft National Social Security Bill prepared by the Ministry of Labour and Social Security; Ministry of Finance and National Planning; Ministry of Justice; and Ministry of Local Government had been scheduled to be presented to Parliament

The New Scheme Design was considered and approved by the Board during its special meeting held on 18th March, 2021. The Fund further engaged the services of actuaries in this matter for actuarial input towards the envisaged New Fund Parameters. After full consultation with relevant stakeholders, the proposal was poised to be presented to Government through Cabinet for approval. Once this new legal framework was achieved, the issue of reducing contributions would be addressed through the admission of new members.

Committee's Observations and Recommendations

The Committee expresses concern at the fast declining number of contributors to the scheme, while the number of pensioners is growing. The Committee reiterates its earlier recommendation that the Controlling Officer should, ensure that the proposed legal framework to allow new entrants into the Fund is expedited failure to which consideration should be made to wind up the Fund's operations. The Committee will await a progress report on the matter.

(iii) Weakness in the Management of Pension Fund-Administrative Costs

The Controlling Officer acknowledged that overtime, the administrative expenses of the Fund had continued to increase. Over the years, the share towards administrative expenses had increased from 10 per cent in 2000 to over 50 per cent in 2020. This was on account of the declining contribution income base, amidst the inevitable costs of administering the Scheme, while the active membership continued to decrease due to the enactment of the *National Pension Scheme Act No 40 of 1996.* The impact of the closure of the Scheme to new members was the cause of the poor financial ratios. Further, included in the K67,237,866 and K85,063,916 were impairment provisions of K19,430,075 in 2019 and K40,157,451 in 2018 respectively, arising from the impact of International Financial Reporting Standards (IFRS).

The Controlling Officer stated that the solution lay in the Government opening the Fund to new members, which would allow for an increase in contributions from the new entrants. This would also provide for sufficient income to cover benefits and administrative expenses and therefore, allow the Fund to operate within the assigned statutory limit. As a result, the higher the contributions' income, the lower the administrative expenses ratio. Further, once pension reforms were implemented, it was expected that these would address the issue of declining contribution levels which were essential in the generation of profitability and cash flow surplus. The draft National Social Security Bill prepared by the Ministry of Labour and Social Security; Ministry of Finance; Ministry of Justice; and Ministry of Local Government had been scheduled to be presented in Parliament.

Committee's Observations and Recommendations

The Committee expresses great concern at the response by the Controlling Officer that the share towards administrative expenses has increased from 10 per cent in 2000 to over 50 per cent in 2020. The Committee wonders whether it was worthwhile to keep funding LASF when more than half of its budget is used on administrative expenses as opposed to paying pensioners who have been owed for a long time. The Committee directs the Controlling Officer to urgently ensure that strategies are put in place to reverse this regrettable state of affairs. The Committee will await a progress report on the matter.

8.3.2 Statement of Changes in Net Assets available for Benefits
(i) Inadequate Working capital

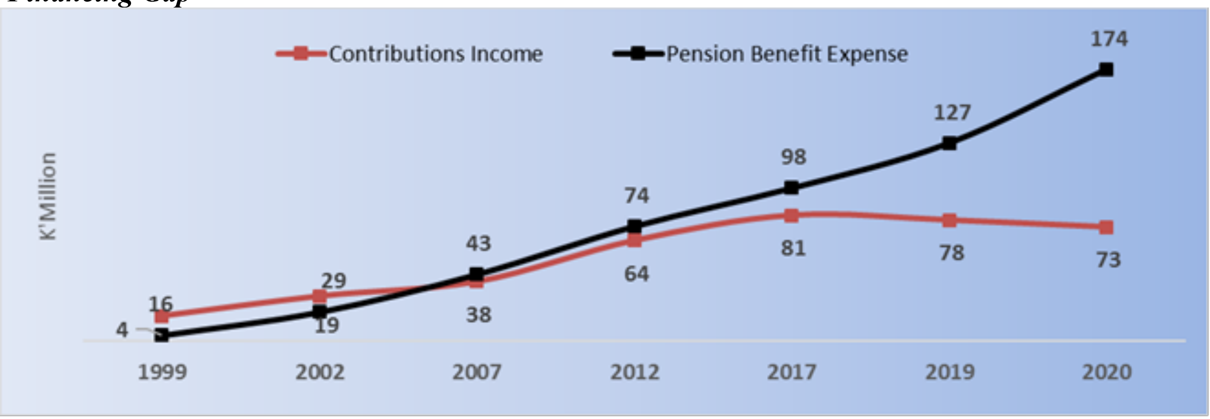
The Controlling Officer submitted that the working capital of the Fund had continued to remain inadequate and was attributed to the continued fall in the active contributing membership due to non-admission of new members following the creation of *National Pension Scheme Act No 40 of 1996.* Since 2007, the Fund had been recording a negative working capital as the contributions continued to decline and as a consequence were insufficient to cover pension liabilities.

The working capital comparing current assets and current liabilities was as follows:

Working Capital	**2019 (K)**	**2018 (K)**
Current Assets	195,829,145	63,704,374
Current Liabilities	218,511,802	162,571,602
Working Capital	**(22,682,657)**	**(98,867,228)**

The current liabilities figures used in the Auditor General's report were total liabilities. However, the observation of inadequate working capital was valid. The graph below showed that due to non-admission of new members, since 2007, the contributions had been declining and insufficient to cover accrued benefits.

Financing Gap



Category/ Year	1999	2002	2007	2012	2017	2019	2020
Contributions Income	16	29	38	64	81	78	73
Pension Benefit Expense	4	19	43	74	98	127	174
Gap	**12**	**10**	**(5)**	**(10)**	**(17)**	**(49)**	**(101)**

Lastly, the statement that some annuities and lump sum to retirees had been outstanding for up to twenty eight years was not the correct position. The Controlling Officer submitted that the solution lay in the Government opening the Fund to new member. This would allow for admission of new members into the Scheme and consequently improve the working capital needs of the Scheme. This was expected to improve the contribution income which was insufficient to cover pension liabilities.

Further, once pension reforms were implemented, it was expected that they would address the issue of declining contribution levels which were essential in the generation of profitability and cash flow surplus. The draft National Social Security Bill prepared by the Ministry of Labour and Social Security; Ministry of Finance and National Planning; Ministry of Justice; and Ministry of Local Government had been scheduled to be presented to Parliament. The Controlling Officer explained that the actuarial deficit reduced from K1.763 billion as at December, 2012 to K1.705 billion as at December, 2017 and further to K1.474 billion in December, 2019. The Government through the Ministry of Finance and National Planning commenced capitalising LASF by financing the pension liabilities arising from the actuarial deficit. In 2017, 2018 and 2020, the Ministry of Finance and National Planning released K150 million, K251 million and K150 million respectively towards the capitalisation funding aimed at addressing the pension liabilities and the actuarial deficit.

Committee's Observations and Recommendations

The Committee expresses concern at the response from the Controlling Officer which appears to ignore the gravity of the Auditor General's query. The Committee cautions the Controlling Officer against making justification for the LASF's poor working capital when retirees who are owed large sums of money are the ones bearing the brunt of unpaid pensions. The Committee urges the Controlling Officer to ensure that the proposed strategies among them the proposed pension reforms should begin to show results in the shortest possible time, failure to which the Fund should be wound up. The Committee will await a progress report on the matter.

(ii) Current Ratio

The Controlling Officer submitted that the current ratio of the Fund had continued to remain unfavourable attributable to the continued fall in the active contributing membership due to non-admission of new members following the creation of *National Pension Scheme Act No 40 of 1996.* Consequently, the Fund had not been able to grow both its short term and long term assets due to declining cash flows, while the obligation for retirement benefits had continued to rise. The solution lay in the Government opening the Fund to new members. This would allow for admission of new members into the Scheme and consequently improve the contributions income with surplus funds invested to generate investment income. This would enable the Fund improve its assets base and liquidate its outstanding obligations. Implementing the reform process for LASF through re-designing the scheme would make the institution sustainable.

Committee's Observations and Recommendations

The Committee takes note of the response and reiterates its earlier recommendation that the proposed strategies to turn the Fund around should begin to show results in the shortest possible time, failure to which the Fund should be wound up. The Committee will await a progress report on the matter.

8.4 Failure to Collect Pension Contributions

The Controlling Officer acknowledged that LASF was owed K205, 681,747.64 as at 30th September, 2020 in unremitted pension contributions. Collection of contributions from councils remained a challenge with city and municipal councils owing about 81 per cent of the total debt. This was despite efforts to engage the local authorities. The financial position for councils was still not favourable and they mainly depended on the Local Government Equalisation Funds.

The Controlling Officer explained that ZESCO and Lusaka Water Supply and Sanitation Company were up to date and did not owe LASF any pension contribution arrears as the previous month's contributions were remitted the following month in line with Section 20 (2) of the LASF Act.

The Fund had embarked on a number of strategies to recover pension contributions from various local authorities as outlined below.

a) *Legal Action* **-** The Fund had commenced a number of matters for the recovery of accrued pension contribution arrears from councils that had been defaulting in the remittance of pension contributions as and when the fall due. The matters in the table below were pending before the courts of law.

Authority	Amount sued for	Progress Made	Status
Choma Municipal Council	**K 2, 041, 686.08** being the amount due as at 31.12.17. Court process issued on 18th April 2018	A consent order had been executed between the parties for the payment of the current monthly contributions plus K 30, 000 towards settling the accrued arrears	The Council was in default of the terms of the consent order from the time of signing to date. One year had lapsed from the date of settlement of the consent order and the Fund was at liberty to enforce the same. The Fund had sent a letter indicating that it would proceed with the execution of the consent judgment in the event that the Council did not comply with the terms of the consent order.
Kabwe Municipal Council	**K 5, 232, 801.09** being the amount due as at 28.02.18 Court process issued on 18.05.18	A consent order has been executed between the parties the payment of the current monthly contributions the plus K 50, 000 towards settling the accrued arrears	The Council was in default of the terms of the consent order from the time of signing to date. One year had lapsed from the date of settlement of the consent order and the Fund was at liberty to enforce the same. The Fund had sent a letter indicating that it would proceed with the execution of the consent judgment in the event that the Council did not comply with the terms of the consent order.
Lusaka City Council	**K 31, 191, 843.58** being the amount due as at 31.07.18 Court process issued on 20.08.18	A meditation settlement agreement had been executed between the parties wherein it had been agreed that: • The Council would pay the sum of K 240, 000 per month to be reviewed after 6 months • After 6 months the Council would pay the current monthly contributions plus K 240,000	No amounts had been received from the Council in line with the signed mediation settlement Order. On 8th November, 2020, one year would have lapsed from the date of the settlement of the mediation settlement order and the Fund would be at liberty to enforce it in line with Constitutional provisions.

Luanshya Municipal Council	**K 7, 048, 096.13** being the amount due as at 30.09.18 Court process issued on 14.11.18	Agreement had been reached between the parties for the payment of the payment of K30, 00.00 per month towards arrears plus current contributions	The Council was in default of the terms of the consent order from the time of signing to date. One year had lapsed from the date of settlement of the consent order and the Fund was at liberty to enforce the same. The Fund had sent a letter indicating that it would proceed with the execution of the consent judgment in the event that the Council did not comply with the terms of the consent order.
Kafue Town Council	**K 1, 873, 707.74** being the amount due as at 30.09.18 Court process issued on 14.11.18	Judgment was entered in default of appearance and defence against the Council.	There were no payments for Kafue for the entire 2018 and 2019 Council advocates withdrew their intention to enter into a consent order.
Chipata City Council	**K 6, 379, 345.33** being the amount due as at 31.10.18	The Fund had made an application for entry of Judgment on admission following admissions made by the Council.	The Council had expressed willingness to settle the matter amicably. The matter was scheduled to come up for hearing on 26th October 2020 before Lady Justice M.C Kombe
Chongwe Town Council (section 28)	**K410,659.75** Court process issued on 17.04.19	The Council made an application to challenge the court process issued by the Fund based on section 40 and section 43 of the LASF Act. The Fund had submitted to the application made by filing an affidavit in opposition and a further application challenging the application made by the Council.	The Council had indicated its willingness to enter into a consent order. A meeting was held to reconcile the amount outstanding in a bid to settle the matter ex curia. The matter had been allocated to a new Judge and the Fund was awaiting a date of hearing to be issued
Chingola Municipal Council	**K1,350,111,53** being the amount due as at 28.06.19	The Council filed a defence into court in which it admitted owing the Fund the sum of k1,350,111.53. the	The matter was pending and awaiting a fresh date of hearing from both the Judge and Deputy Registrar

	Court process issued on 28.10.19	Fund filed an application for entry of Judgment on admission	
Kasama Municipal Council	**K2,376,628.58** being the amount due as at 28.10.19 Court process issued on 28.10.19	A consent order had been executed between the parties for the payment of the current monthly contributions the plus K 40, 000 towards settling the accrued arrears	The Council had not been abiding by the terms of the consent order signed between the parties.
Chinsali Municipal Council	**K1,385.199.97** being the amount due as at 30.06.19 Court process issued on 28.10.19	There was no agreement yet. The Council had indicated its willingness to discuss the possible terms of settlement of the matter	The matter was pending and awaiting a fresh date of hearing from both the Judge and Deputy Registrar.

b) *Land Debt Swap* - In order to reduce the amounts owed by the various local authorities, the Fund had entered into land debt swap agreements with the following local authorities as shown in the Table below.

S/N	Name of Authority	Title Deed Number	Size	Total Value of Land acquired (K)
1	Chingola Municipal Council	10055119	29 hectares	2,199,059.00
2	Kapiri Mposhi Town Council	(i) 39457 (ii) 41007	2 commercial plots.	54,000.00
3	Chinsali Municipal Council	(i) 41042 (ii) 41818 (iii) 42558	-3 commercial plots - 5 hectares	335,000.00
4	Mufulira Municipal Council	(i) 80842 (ii) 80844	-14 hectares -5.7 hectares	2,080,757.50

c) *Debt Equity Swap* - The other strategy the Fund embarked on to reduce the indebtedness was pursing debt equity swaps. A case in point was where LASF and Public Service Pension Fund jointly submitted a proposal to Ministry of Finance to acquire some shares in ZCCM-IH as part of restructuring of arrears on pension contributions and the deficit. As at 31 December 2020, response was still being awaited from the Ministry of Finance.

d) *Formation of an Inter – Institutional Committee by Ministry of Local Government* - In an effort to recover pension contributions from local authorities, the Ministry of Local Government formed an Inter-Institutional Committee meant to look at modalities of liquidating local authorities statutory debt. The Committee was comprised of Zambia Revenue Authority (ZRA), National Pensions Scheme Authority (NAPSA) and the Local

Authorities Superannuation Fund (LASF). This measure would enhance the collection of statutory contributions from defaulting local authorities by directly deducting at source.

e) *Debt Management Strategy* - The Government, through the Ministry of Finance and Ministry of Local Government had formulated a Debt Management Strategy for local authorities (councils) for the period 2021-2025. It was launched on 22nd December, 2020.

The strategy was meant to achieve the dismantling of existing debt on contributions arrears and taxes as quickly as possible and put in place rules to guide councils to avoid future escalation of debts. The Government's position in this Strategy was to ensure that the debt for the local authorities was settled. Therefore, the Fund would benefit from this debt management strategy in that the contribution arrears would be liquidated.

f) *Payment Plans* - The Fund had entered into forty two signed payment plans with most councils in an effort to recover the pension contributions arrears as shown below.

S/No	Authority	Number of Payment Plans	Expected monthly contributions from payment plans (K)
1.	City Councils	4	1,224,625.00
2.	Municipal Councils	10	874,460.00
3.	Town Councils	27	682,800.00
4.	Eastern Water Supply and Sanitation Company	1	48,586
Total		**42**	**2,830,471.00**

The Controlling Officer informed the Committee that with the above stated initiatives, there would be a significant improvement in the collection of contributions from councils. In the meantime, LASF would continue to pursue the recovery of contributions through various options such as payment plans and land debt swaps. Further, ZESCO Limited and Lusaka Water Supply and Sanitation Company were up to date and did not owe LASF any pension contribution arrears as the previous month's contributions were remitted the following month in line with section 20 (2) of the *Local Authorities Superannuation Fund Act, Chapter 284 of the Laws of Zambia.*

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officer's response and acknowledges the efforts that have been put in place to address the huge debt owed to LASF. The Committee directs the Controlling Officer to ensure that LASF management does not to relent in their effort and continues to pursue its debtors through all available means. The Committee directs the Controlling Officer to submit supporting documents on ZESCO Limited and Lusaka Water Supply and Sanitation Company to the Auditor General for verification subject to which queries relating the two entities should be closed. The Committee will await a progress report on the outstanding debtors.

8.5 Accounting Irregularities
8.5.1 Unaccounted for Stores

The Controlling Officer noted that the auditor's observation that various stores items costing K 270,877 procured through thirteen transactions were not accounted for in that there were no receipt and disposal details. The availability of supporting information and schedules for inspection and verification was as summarised below.

Queried Transactions	No. of Items queried	Value	Nature of query	Management Response
Staff Uniforms	4	40,284	Distribution list	Distribution list available for inspection
Toner Cartridges	4	106,578	Disposal details	Disposal details available for inspection
Labour day attire /Uniforms	1	54,055	Distribution list	Distribution list available for inspection
Trade Fair attire	2	16,000	Distribution list	Distribution list available for inspection
Office Supplies and Consumables	2	53,960	Disposal details	Disposal details available for inspection
Total	**13**	**270,877**		

The Fund had in place systems and procedures which fully documented processes and record keeping in supporting all the transactions.

Due to the huge volume of the documentation to account for the stores items, the Auditor General was invited for an inspection and conducted the physical verification of the supporting documents on Tuesday, 16th February, 2021.

Committee's Observations and Recommendations

The Committee takes note of the response and resolves to close the matter.

8.5.2 Unsupported Payments

The Controlling Officer took note of the Auditor's observation that payments in amounts totalling K 1,639,358 processed during the period under review were not supported with relevant documents such a receipts, service level agreements/ contracts, acquittal sheets and basis of rates used for airtime paid to senior managers. The Controlling Officer confirmed the availability of the supporting documentation to the payments in amounts totalling K 1,639,358 was available as follows per the table below.

No.	Nature of query	Management response
1	Receipts	Receipts were attached to the payment and available for verification
2	Service Level Agreement / Contracts	The documents were available for inspection and verification
3	Acquittal sheets	Acquittal sheets available for inspection and verification
4	Basis of rates for airtime paid to Senior Managers	The basis for payment of airtime was contained in the conditions of service for Senior Managers. The Administration Manual for Management and Non-Unionised was available for verification

The Fund had in place systems and procedures which fully documented processes and record keeping to support all the transactions. Further, the Fund's Financial Policy and Regulations did not allow financial transactions to be processed without supporting documents. All payments were supported with documents which were approved in line with Fund policies, conditions of service to meet the validity, completeness and accuracy tests.

The supporting documentation to payments in amounts totalling K 1,639,358 processed during the period under review were available for physical inspection and verification. Due to the huge volume of the documentation to account for the stores items, the Auditor General was invited for an inspection The Auditor General conducted the physical verification of the supporting documents on Tuesday, 16th February, 2021.

Committee's Observations and Recommendations

The Committee takes note of the response and resolves to close the matter.

9.0 Mulungushi University Ministry of Education

An examination of financial and other records maintained at Mulungush University for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer responded as set out below.

9.1 Budget and Income

The Controlling Officer submitted that the ministry acknowledged the observation made by the Auditor General as correct. He further informed the Committee that the budget was mainly unrealised due to non-receipt of capital grants for three years from the Government, to support infrastructure development amounting to K150 Million. The budget could not be revised as all the anticipated receipt grants were supposed to be realised by the year ends.

Further, the university budgeted to realise income from tuition, boarding and lodging streams on the basis of the following student numbers, (5,955 in 2017, 6,470 in 2018 and 6,697 in 2019).

However, only (5,618 in 2017, 5,934 in 2018 and 4,984 in 2019) were actual numbers translating into an average income loss of K46.6 million which contributed to the gap between the Actual and Budgeted Income. He further informed the Committee that the budget under performance adversely affected infrastructure development at the university, especially the construction project for student hostels. The Committee also learnt that the university sent reminders to the Ministry of Higher Education on the need to complete the project as this was inhibiting the growth of the university in general. Documentary evidence was available for verification. The Controlling Officer further informed the Committee that the ministry had submitted budget proposals to the Ministry of Finance and National Planning for inclusion in the 2022 budget for capital projects but only Chalimbana University was included and hence the university would purse Private Public Partnerships (PPPs)

Committee's Observations and Recommendations

The Committee notes with concern that the university failed to undertake infrastructure development due to under funding from the Treasury. The Committee further observes with concern that failure to develop infrastructure had a negative impact on the growth of the university with regard to student enrollment. In this regard, the Committee urges the Treasury to sufficiently fund the university and also for the university management to plan for realistic student numbers. The Committee notes that the university has pledged to undertake PPPs and therefore, resolves to await a progress report on the matter.

9.2 Financial Analysis

9.2.1 Financial Performance Statement of Comprehensive Income

The Controlling Officer submitted that the statement of comprehensive income for the university, for the period under review was as shown in Table 2 below.

Table 2: Statement of Comprehensive Income

Details	2019	2018	2017
	K	K	K
Income			
Revenue	125,327,201	115,088,309	93,243,499
Government Grants	28,520,325	35,437,756	21,520,247
Cost of Sales	-	-	(12,074,806)
Other Income	18,665,562	19,170,806	26,249,415
Total Income	**172,513,088**	**169,696,871**	**128,938,355**
Expenditure			
Cost of Training	(16,465,137)	(15,092,608)	-
Administrative Expenses	(185,700,538)	(163,263,913)	(132,974,952)
Finance Costs	(125,000)	(293,486)	(309,248)
Expected Credit Losses	(3,268,767)	-	-
Total Expenditure	**(205,559,442)**	**(178,650,007)**	**(133,284,200)**
Deficit for the year	**(33,046,354)**	**(8,953,136)**	**(4,345,845)**

Source: Mulungushi University Financial Statements for the Years ended 31st December 2017, 2018 and, 2019

The Controlling Officer further submitted that the increase in administrative costs was as a result Pay as You Earn interest, penalties and staff recruitments costs. The emoluments cost increased by an average of K18 million in all the three years under review. This arose as a result of the introduction of new programmes under the school of medicine and health sciences, and school of engineering and Technology which was based in Livingstone. The Committee learnt that following the recruitments, the university recorded losses before the newly introduced programmes began to make profit.

The Controlling Officer further apprised the Committee that the non cash flow expenses such as depreciation and provision for credit losses were also a major driver in the increased deficits (losses) that the university incurred in the period under review. The university recognised expenses totaling K8.8 Million in 2017, K9.2 million in 2018 and K9.9 million in 2019 in form of depreciation and K3.3 million in form of credit Losses. He also informed the Committee that the university was desirous to reverse the trend of recording deficits and in this vain it had increased marketing of programs on offer for increased student enrollment and consequently revenue. In addition, the university programs had reached maturity stage and staff establishment was sufficient for the university operations and recruitments had reduced thereby cutting emolument costs.

Committee's Observations and Recommendations

The Committee is disappointed and finds it unacceptable that non cash flow expenses such as depreciation and provision for credit losses have been used as an excuse for the increase in administrative costs, when in fact these were policy issues. The Committee takes note of the introduction of new programmes which at the time of the audit were not generating profit. In this regard the Committee resolves to await an update on the matter. The Committee is equally not satisfied with the submission that the university is desirous to reverse the trend of recoding deficits and, therefore, directs that a proper strategy should be formulated and submitted to the Auditor General. The Committee will await an update on the matter.

9.2.2 Financial Position Statement of Financial Position

The Controlling Officer submitted that the Statement of Financial Position for the university as at 31st December 2017, 2018 and 2019 was as shown in the Table 3 below.

Table 3: Statement of Financial Position as at 31st December

Details	2019	2018	2017
	K	K	K
Non Current Assets			
Property Plant and Equipment	314,203,543	277,999,189	271,423,379
Biological Assets	894,920	908,329	586,297
Total Non Current Assets	**315,098,463**	**278,907,518**	**272,009,676**
Current Assets			
Inventory	3,022,727	2,251,668	3,308,997
Students and Other Receivables	44,961,683	49,038,13	37,731,842
Cash and Cash Equivalents	40,465,643	46,017,33	49,853,046
Total Current Assets	**88,450,053**	**97,307,204**	**90,893,885**
Total Assets	**403,548,516**	**376,214,722**	**362,903,561**
Equity and Liabilities			
Equity			
Revaluation Reserves	79,993,548	79,993,547	79,993,545
Accumulated Gains and Losses	(63,556,149)	(30,509,795)	(21,556,657)
Total Equity	**16,437,399**	**49,483,752**	**58,436,888**
Non Current Liablities			
Provisions	8,190,640	9,839,776	13,182,268
Deferred Income	173,945,388	165,527,914	178,400,309
Bank Loans	14,365,066	-	-
Total Non Current Liabnilities	**196,501,094**	**175,367,690**	**191,582,577**
Current Liabilities			
Trade and Other Payables	154,473,008	113,537,597	99,496,038
Provisions	18,801,969	24,399,635	12,629,023
Finance Lease Liability	-	-	759,035
Contract Liabilities	17,335,046	13,426,048	-
Total Current Liabilities	**190,610,023**	**151,363,280**	**112,884,096**
Total Liabilities	**403,548,516**	**376,214,722**	**362,903,561**

Source: Mulungushi University financial statements for the years ended 31st December 2017, 2018 and 2019

He further submitted that the observations by the Auditor General as outlined below were correct.

(i) Negative Working Capital

The Controlling Officer submitted that the negative working capital resulted from the accumulated statutory obligations of K135, 349,408 as at December 31st 2019. He further informed the Committee that this was as a result of underfunding as the funding to the university was not at gross of the emolument bill, consequently there was a growth in statutory obligations. Furthermore, he informed the Committee that in September 2020, the Government paid Zambia

Revenue Authority (ZRA) K60 million on behalf of the university with the view of improving the working capital outlook. The Government further paid K54 million in April 2021 to avoid further deterioration of the working capital. These payments had improved the working capital of the university as at June 2021 to K69 million and that all outstanding arrears were cleared. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee expresses concern that the university was unable to settle its current liabilities as they fell due, due to negative working capital. However, the Committee finds comfort to note that all the outstanding statutory obligations which led to the negative working capital were cleared. However, the Committee is concerned that if the Treasury does not fund the university with the gross amount required, the university will not be able to pay the statutory obligations as and when they fall due. In this regard, the Committee directs the Secretary to the Treasury to ensure that the university is fully funded. The Committee directs that all documentary evidence should be submitted to the Auditor General subject to which the matter should close.

(ii) Current Ratio

The Controlling Officer informed the Committee that the negative current ratio resulted from the accumulated statutory obligations of K135, 349,408 as at December 31st 2019. Following the payment of the statutory obligations by the Government, the current ratio of the university as at 30th June, 202, had improved to 2.97:1. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee reiterates its recommendation that the Secretary to the Treasury must ensure that the university is fully funded. The Committee directs that all documentary evidence should be submitted to the Auditor General subject to which the matter should close.

9.3 Operational Matters Unregistered Students with Results 112

The Controlling Officer submitted that the Ministry acknowledged the observation made by the Auditor General and further submitted that the unregistered students were due to the petition that took place. The Ministry of Higher Education then intervened and granted the students to write examinations without paying fees. The university therefore, allowed the students to write examinations despite their unregistered status. Furthermore, he informed the Committee that the university's revenue was protected because the student's results were withheld. The Committee also learnt that the system had been upgraded to only allow students who had paid up to 50 per cent threshold for approval of courses and 80 per cent for writing the exams. He further informed the Committee that 60 per cent of the students in question had since paid and collected their results.

Committee's Observations and Recommendations

The Committee takes note of the submission and directs that documentary evidence with respect to the instruction from the Ministry and for all students who have paid should be submitted to the Auditor General, and that all the students who owe the university should clear their outstanding fees before results are released. The Committee resolves to await an update on the matter.

9.4 Accounting Irregularities

9.4.1 Failure to Deduct and Remit Tax

The Controlling Officer informed the Committee that the query arose because the university relied on the premises that housing allowance in all public institutions was non-taxable as was the case with other related government agencies and employees. He further submitted that the ministry was undertaking sensitisation workshops to educate the officers about the various financial management regulations.

Committee's Observations and Recommendations

The Committee is concerned about the feeble response provided by the Controlling Officer and finds the failure to deduct tax inexcusable. To this effect, the Committee recommends that disciplinary action be taken against all officers responsible for this irregularity, including all supervisors who authorised these payments and failed to ensure that statutory obligations were deducted. The Committee further urges the Controlling Officer to ensure that deductions are effected as a matter of urgency to recover the unremitted funds. The Committee resolves to await a progress report on the matter.

9.4.2 Unremitted Statutory Contributions K 7,501,608

The Controlling Officer submitted that the ministry acknowledged the observation made by the Auditor General as true. He further informed the Committee that the non-remittance of the K7.5 million was due to a court injunction by the members of the scheme. As a result, this created a break in the contribution to the fund until the issue was resolved in the course of 2021. As at the end of September, 2021 the university had paid into the Fund a total amount of K3.4 million. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officer's submission and directs that all outstanding contributions should be remitted and that documentary evidence should be submitted to the Auditor General. The Committee will await an update on the payment of the outstanding statutory obligations.

9.5 Management of Assets Lack of Title Deeds

The Controlling Officer submitted that the observation by the Auditor General regarding management of assets with respect to lack of title deeds for eleven parcels of land was noted and regrettable. He further apprised the Committee that the university had engaged private lawyers to expedite the process to acquire title deeds even though the ministry had a legal department. The following was the progress which had been realised:

(i) **ZCCM Kasanda Mine Houses**

Management had contracted P.M Kamanga & Associates (former I.C. Ngonga & Company (Advocates), for execution of title deeds. The matter was receiving active attention. Documentary evidence was avaible for verification.

(ii) **Kamakuti Residential**

Management had engaged the Ministry of Lands to issue the title deeds on recommendation by Kabwe Municipal Council. Documentary evidence was available for verification.

(iii) **Water Works**

Management had contracted P.M Kamanga & Associates (former I.C. Ngonga & Associates), for execution of Title Deeds. As at 21st July, 2020, the university Advocates (P.M Kamanga & Associates), submitted an update that site plans had been submitted, with accompanying documents from the Chief, to Kapiri-Mposhi Council for consideration at their sittings beginning from 22nd July, 2020 where they were uplifted. Documentary evidence was available for verification.

(iv) **Hectares Alternative water project**

Management had contracted P.M Kamanga & Associates (former I.C. Ngonga & Company (Advocates), for execution of Title Deeds.

(v) **School of Medicine and Health Science**

The Controlling Officer informed the Committee that Batoka Land where Livingstone Central Hospital was sitting belonged to the Government of the Republic of Zambia. In 2013, the Ministry of Health had requested Mulungushi University to establish a medical school given the gap in medical doctors, dentists and pharmacists in the country. Furthermore, the he submitted that the university entered into a Memorandum of Understanding with Livingstone Central Hospital for infrastructure development on the Batoka Land. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee expresses concern on the inordinate time it has taken for the university to acquire title deeds. The Committee observes that it is unacceptable for management to fail to execute administrative roles until the auditors have raised a red flag. The Committee is further disappointed to note that due to the inordinate time it has taken to acquire the title deeds, the university incurred an unnecessary costs by engaging private lawyers when the ministry had a fully functioning Legal Department. The Committee directs that disciplinary action should be meted out on this wasteful expenditure which could have been avoided. The Committee further directs the Controlling Officer to caution management against such laxity and resolves to await an update on the acquisition of the title deeds for all the properties in question with respect to the *Lands Act. No 29 of 1995.*

9.6 Management of Infrastructure Constructions of 6 by 4 Storey Student Hostels Mulungushi University Abandoned Student Hostel

The Controlling Officer submitted that the observation by the Auditor General regarding abandoned student hostels was noted and regrettable. The Committee learnt that the projects were being funded and supervised by the Ministry of Higher Education, however, due to lack of funding, the project stalled. Further, the Committee heard that to revive the projects, the Government of the Republic of Zambia, through Ministry of Higher Education had advertised for invitation of expression of interest for consultancy to undertake feasibility study for the development of various infrastructures through Public Private Partnership in Public Universities and Colleges in Zambia. The Construction of six Hostels and External works at Mulungushi University with a total bed space capacity of 1,920 was among the lots advertised. Documentary evidence was available for verification. He further submitted that the status of the projects was as shown in Table 4 below.

Table 4 Project status

Description	Works Done	Outstanding works
Hostels 1 and Hostel 2	Structure built up to level roof 1 and installation of roofing trusses completed. Conduits for wiring done on 1st and 2nd floors Partitioning of wall for ground and the 1st floor	• Roofing • Partitioning of 2nd and 3rd floor • Wiring and plumbing of entire structures • Internal and exterior plastering of walls, Ironmongery and carpentry (fitting of doors and window frames, door and windows) • Flooring and tiling • Ceiling boards and electrical fittings • Painting and decoration, and • Paving and landscaping
Hostels 3,4,5 and 6	Ground floor complete with conduits for wiring	• Construction of columns up to 3rd floor, Casting concrete floor and stair case for 2nd and 3rd floors • Installation of trusses and roofing, • Partitioning of all floors, Ironmongery and carpentry (Windows and door frames, windows and doors) Wiring , tubing, plumbing and electrical fittings, • Plastering, flooring and tiling • Painting and decoration, and • Paving and landscaping

Committee's Observations and Recommendations

The Committee directs that the Controlling Officer to submit a budget on the outstanding works and also the projected completion date. Documentary evidence should be submitted to the Auditor General for verification. The Committee will await an update on the submission of the budget and the completion of the outstanding works.

10.0 National Institute for Scientific and Industrial Research Ministry of Technology and Science

An examination of accounting and other records maintained at National Institute for Scientific and Industrial Research (NISIR) Headquarters for the Financial Years ended 31st December, 2018 and 2019 and a visit to selected stations revealed the following irregularities to which the Controlling Officer responded as set out below.

10.1 Budget and Income

The Controlling Officer submitted that the query arose because the Treasury did not fully meet its funding obligations to the Institute by 29 per cent. She further informed the Committee that the Treasury paid K 31,124,632 out of the budgeted K 43,700,016, resulting in a deficit of K 12,575,383. Furthermore, the Institute did not raise the projected internally generated income of K 9,250,769 and only managed to raise K 7,826,650 resulting in a deficit of 15 per cent. The deficit on internally generated funds was as a result of failure to dispose five housing units that were earmarked for sell. To resolve the query, the Controlling Officer submitted that management had engaged the Treasury requesting for an improvement on the funding profile as the case was in 2021. Furthermore, management had put in place measures to increase the institute's revenue from sources other than relying on the government funding. These included the following:

(i) lease agreement with HIS towers (K60,000 per year);
(ii) sell of Sliverest housing units; and
(iii) proposed sell of 8 per cent of Institutional land (99,200,000)

Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee finds the reasons given as to why the Institute failed to raise internally generated funds unacceptable. The Committee condemns management's strategy of selling its fixed assets as a means to raise funds. The Committee notes that management plans to sell Sliverest housing units and 8 per cent of institutional land. The Committee observes that this will not be sustainable. In this regard, the Committee strongly recommends that the Controlling Officer should ensure that management develops cost cutting measures and a permanent solution to underfunding. The Committee directs that all documentary evidence in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the formulation of a permanent solution in resolving the challenge of underfunding.

10.2 Operational Matters

10.2.1 Lack of a Strategic Plan

The Controlling Officer submitted that the Institute had budgeted to undertake the formulation of the strategic plan during the period under review. However, the Institute's income reduced from its budgeted amount of K 53,000,000 to K 39,000,000 representing a 26 per cent decrease. This reduction caused the Institute's failure to undertake some activities including preparation of the strategic plan. To resolve the query, management had allocated funding for the strategic plan in the 2021 budget and activities had since commenced. Further, with improvements in the funding profile it was envisaged that the exercise would be completed by December, 2021. During the period under review, the Institute used the work plan to undertake activities.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Institute was operating without a strategic plan and were using a work plan to implement various activities. The Committee directs the Controlling Officer to ensure that the Institute puts in place a strategic plan without which the Institute may operate without a well thought out plan. This may lead to embarking upon activities that are not within its mandate. The Committee directs that all documentary evidence for the formulation of the strategic plan should be submitted to the Auditor General for verification. The Committee will await an update.

10.2.2 Failure to Utilise Laboratory Equipment K 5,026, 146

The Controlling Officer submitted that the observation by the Auditor General that the Institute received equipment from the Ministry of Higher Education valued at K 5, 026,146 for research purposes, at Chilanga Campus valued at K 899,576 and Kitwe Plant Science Institute at K 4,126,570 was correct. She further submitted that the equipment had not been in use for over seven year, as there was no appropriate facility to install the equipment. Furthermore, a planned construction of appropriate buildings did not materialise due to lack of funds. The Committee also learnt that with respect to the Chilanga Campus, the rehabilitation of livestock laboratories in which the equipment was to be installed had not been completed due to lack of funds. To resolve the query, the Institute had commenced the rehabilitation of the wood and pulp workshop for purposes of installing the equipment in Kitwe and the completion of the rehabilitation had been budgeted for in 2022. Furthermore, the Institute had budgeted to complete the livestock laboratory in 2022. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and finds it unacceptable that the Ministry of Higher Education which used to be the supervising Ministry for the Institute purchased equipment without having conducted a due diligence to ensure that there was room to install the equipment. The Committee condemns this negligence which may result into wasteful expenditure in an event that the equipment becomes obsolete considering that it has not been used for over seven years. The Committee directs the Controlling Officer to undertake an investigation to ensure that the equipment has not become obsolete. The Committee further directs that all officers and their supervisors who failed to undertake a due diligence must be written to and warned against such lapses. The Committee will await an update on the matter.

10.2.3 Lack of Policy Acquisition and Cropping of Livestock

The Controlling Officer submitted that the query arose because there were no birth and vaccination records at the three respective research centers namely Lusaka, Chalimbana Farm and Chilanga Campus which were part of the Institute's its headquarters. She further submitted that there was verbal evidence from long serving employees and that there was a manual which stipulated on how to manage the animals. However, it was regrettable that management could not retrieve the manual from the records store room. She further submitted that there was a delay to formulate a new animal management manual because there was no substantive Chief Executive Officer (CEO) to facilitate the process. To resolve the query, a draft manual for the management of the research animals had been developed following the recruitment of the CEO and would be submitted to the Board for approval.

Committee's Observations and Recommendations

The Committee notes the submission from the Controlling Officer, which is inadmissible as the Committee finds it irregular that the Institute failed to keep the policy acquisition and cropping manual but instead relied on the memory of the long serving employees. The Committee obsevrs that this was a lapse leading to unauthorised sell of animals. The Committee recommends that disciplinary action should be instituted against officers who failed to ensure safe custody of the policy document. The Committee further recommends that the Controlling Officer should ensure that the Institute digitalises its operations. The Committee further directs the Controlling Officer should ensure that the policy document is approved expeditiously. The Committee will await a progress report on the matter.

10.2.4 Management of Commercial Properties

(i) Failure to Avail Payment Records Textile Laboratory K 265,400

The Controlling Officer informed the Committee that the observation by the Auditor General was correct. She further submitted that the documents pertaining to the rehabilitation contract were not avaible at NISIR because they were held at the Ministry of Works and Supply and NISIR was not provided any copies. She further submitted that efforts to obtain information on the amounts owed from the contractor, proved futile. The Committee also learnt that the contractor refused relinquishing the premises as he had not been paid his dues. The Committee further heard that the NISIR had no documents pertaining to the contract and depended on verbal communication from the contractor.The Controlling Officer further informed the Committee that to resolve the query, the Ministry of Technology and Science had engaged the Ministry of Works and Supply to facilitate the handover of the facility. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee is perturbed to note that it has taken an inordinate time for the Institute to reconcile with the then Ministry of Works and Supply with regard to how much the contractor is owed so that the Treasury can intervene. The Committee finds it unacceptable that the contractor has been occupying the laboratory since 2013; when in fact the burden of proof of indebtedness is on the contractor as opposed to rely on verbal explanation. The Committee directs the Controlling Officer to expeditiously resolve the matter and to ensure that the contractor hands over a building which is in a tenable state. The Committee further directs the Secretary to the Treasury to intervene in the matter, and further directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await an update on the matter.

(ii) Failure to Utilise a Coal Briquette Plant

The Controlling submitted that the facility had not been used by NISIR since 2009 because from 2007 to 2014 the facility was allocated to a Public Private Partnership entered into by National Technologies Limited (a NISIR company) and a private entrepreneur, Star Drilling and exploration Limited. Further from 2011 to 2014, the PPP partners had disagreements that led to litigation and hence the facility remained closed during the period. The Controlling Officer further informed the Committee that following the recognition of inadequacy in personnel capacity, in 2017, NISIR engaged a qualified officer whose functions included the revitalisation of the facility, who also recommended for a major overhaul of the facility. Furthermore, to commence the overhaul, the Institute made budgetary allocations in 2018 and 2019 which did not meterialise due to inadequate financial resources. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes that the failure by the Institute to overhaul the facility will result in increased maintenance costs and eventually loss of property value. In this regard, the Committee directs the Controlling Officer to promptly formulate a strategy on how the facility will be rehabilitated. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the matter.

10.3 Accounting Irregularities
10.3.1 Unaccounted for Stores K 24, 250

The Controlling Officer submitted that the observation by the Auditor General that store items costing K 24,250 were unaccounted for in 2018 was correct. She further submitted that it was regrettable that there were no receipts and disposal details. The Committee was informed that the query arose due to poor record keeping. She further submitted that goods were however received at NISIR stores and issued out. To resolve the matter, the stores department had since been re-organised and disciplinary action would be meted out in line with the disciplinary code which provided for various steps on how to institute disciplinary action. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee is dismayed by the response from the Controlling Officer which seems to suggest that there is nothing wrong with the failure to account for stores. The Committee strongly urges the Controlling Officer to expeditiously institute disciplinary action against all officers responsible for this irregularity and to put in place mechanisms to ensure that officers henceforth perform their duties according to the Public Stores Regulations. The Committee further recommends that the Controlling Officer should ensure that proper filing systems are put in place and regular monitoring of the filing system is undertaken. The Committee resolves to await an update on the matter.

10.3.2 Irregular Payment for Road Traffic Offences

The Controlling Officer informed the Committee that the member of staff who committed the offences was dismissed from NISIR in 2018. She further submitted that NISIR became aware of the charges on 21st June, 2019. The Committee also learnt that the traffic offence attached to the vehicle prevented the renewal of the road worthiness of the vehicle and consequently NISIR decided to pay for the traffic offence in order to have the road worthiness renewed. Consequently, NISIR would then recover the money from the officer's benefits which had not been paid out during the period under review due to litigation. The Committee also learnt that payment of terminal benefits was subject to the employee requesting for his/her payment. However the employee in question had challenged his dismissal and had not requested for his terminal benefits. To resolve the query management had assigned the Human Resources Manager to handle all matters relating to any road offences. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that as soon as the litigation is resolved and terminal benefits are released, management should recover the amount in question. The Committee further directs that all documents in support of the query should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

10.4 Management of Assets

10.4.1 Failure to Collect Rentals Chilanga Animal Science Research Centre K222,534

The Controlling Officer submitted that the observations by the Auditor General that the Institute had leased out six of its houses located in Chilanga and Silverest, and had not collected rentals amounting to K 222,534 was correct. She further submitted that the query arose because there were no tenancy agreements and that rentals attributed to three former employees had not been collected because the employees had challenged their dismissal in the courts of law. She further informed the Committee that the rentals attributed to the nuclear centre were also not collected because the Institute thought that the Ministry of Technology and Science would pay the rentals upon receipt of the invoices. To resolve the query, the Institute awaited the conclusion of the matter relating to the employees, while the with regard to the nuclear centre, the NISIR had reminded the Ministry of Technology and Science to effect the payments.

Committee's Observations and Recommendations

The Committee observes with concern that NISIR management handled the issue of the three houses occupied by the former employees with laxity. It is the Committee's considered view that there was no connection between the employees challenging their dismissal and them occupying the institution's houses when there are no longer in employment. The Committee further observes that failure to sign tenancy agreements was a sign of negligence on the part of management. In this regard, the Committee strongly directs the Controlling officer to institute disciplinary action against all officers and their supervisors who failed to execute their administrative duties. The Committee resolves to await an update on the matter.

10.4.2 Poor maintenance of Houses

The Controlling Officer informed the Committee that it was regrettable that the Institute failed to maintain twenty four of its houses located at; Chilanga campus, Chalimbana farms, Kitwe research plant and Silverest. She further submitted that the Institute had challenges with funding and consequently failed to maintain the houses in question. To resolve the query, NISIR had rehabilitated the house in Chilanga and the house was occupied by one of the employees. Furthermore, she informed the Committee that the supervisor's house located at the Church farm and three houses located in Kitwe had been budgeted for in the 2022 budget. With regard to the eighteen houses located at Silverest, NISIR had commenced the process of selling them to both employees and external clients as the Institute was unable to maintain them. The Committee also learnt that at the time of appearance, thirteen houses had since been sold and the proceeds were used to pay retirees.

Committee's Observations and Recommendations

The Committee observes with concern that management has been selling off its fixed assets to resolve its short term challenges. The Committee strongly condemns this strategy and urges the Controlling Officer to direct management to stop selling its properties in an effort to resolve its financial challenges. The Committee resolves to await an update on the rehabilitation of the houses and also on the formulation of a sustained strategy.

10.4.3 Failure to Secure Institutional Land

The Controlling Officer informed the Committee that the query arose because the Institute had failed to fully fence the Institute's land at its Chalimbana farms to prevent encroachment. The Committee also learnt that the perimeter of the land was approximately 11 kilometers and that the preferred fencing type was a wall fence and that NISIR was unable to fence the land. She further informed the Committee that the individuals who had encroached on the 200 hectares were evicted with the help of the police and that there was no recurrence of encroachment on the cited land. Furthermore, management had proposed the sell of 8 per cent of the NISIR research land, in order to raise funds to secure the rest of the land, pay retirees, staff gratuities, and plough back into the Institute in a bid to attract qualified human capital.

Committee's Observations and Recommendations

The Committee reiterates its recommendation on sell of fixed assets to resolve short term financial challenges. The Committee urges the Secretary to the Treasury to intervene on the matter. The Committee also notes that the Controlling Officer submitted that the Institute will sell the eighteen houses and part of the land at Silverest to pay off retirees and to clear off while outstanding terminal benefits. The Committee further notes that the Government has committed to clear all outstanding pensions in the 2022 budget. Therefore, the Committee finds it inadmissible that 8 per cent of the land will be sold to pay off retirees. The Committee strongly urges the Controlling Officer to thoroughly follow up the matter to ensure it is resolved expeditiously.

10.5 Failure to Fill Vacant Positions

The Controlling Officer submitted that the observation by the Auditor General with regard to the unfilled vacancies in Table 5 were correct. She further submitted that the positions of Executive Director, Finance Manager and Internal Auditor were on contractual basis. She further submitted that the contracts of the incumbents had expired at the time of the audit. The Committee also learnt that the high numbers of researchers, technologists and the general administration support staff were based on the 2013 to 2017 strategic plan which was not fully funded to enable the Institute fill-in the positions. To resolve the query, the Controlling Officer informed the Committee that the senior management positions of Director, Finance Manager and Internal Auditor had been filled. The reminder of the most of the positions would be reconsidered after a review of the Institute to determine the direction of the entity and the relevance of the positions. Documentary evidence was available for verification.

Table 5: Unfilled Positions

No	Staff Category	Establishment	Filled Positions	Unfilled Positions
1	Executive Director	1	0	1
2	Finance Manager	1	0	1
3	Researchers	64	14	50
4	Research Assistants	6	5	1
5	Technologists	92	12	80
6	Laboratory Assistants	11	4	7
7	Professional Administration and Financial Staff	28	12	16
8	General Administration –Support Staff	83	74	9
	Total	**286**	**121**	**165**

Committee's Observations and Recommendations

The Committee observes with concern that the Institute has so many vacancies and as such it would be difficult to achieve its mandate. In this regard, the Committee urges the Controlling

Officer to ensure that the matter is resolved expeditiously. The Committee further directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

11.0 National Pension Scheme Authority Ministry of Labour and Social Security

An examination of financial and other records maintained at the National Pension Scheme Authority Headquarters and selected stations for the Financial Years ended 31st December, 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer responded as set out below.

11.1 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that there was no amount collected by the National Pension Scheme Authority (NAPSA) from the informal sector, which had been included in the 2019 budget to raise K 34,400,000 was correct. The Controlling Officer informed the Committee that management's strategic focus on extension of coverage to the informal sector in the period 2018 to 2019 was hampered by lack of a legal framework to support the roll out. She further submitted that after a lengthy legal process, Statutory Instrument number 72 of 2019 came into effect on 1st November, 2019, which consequently delayed the project commencement by a year. She further informed the Committee that despite the absence of the legal framework, management collected a total of K9.1 million during the period 2018 and 2019 from the five focus areas of the informal sector, against the two-year target of K34.4 million. She further submitted that following the issuance of the statutory instrument, management had a clear strategy of covering the informal sector and increasing the level of compliance and collection of incomes through the provision of a tailored benefit package which met the demands and aspirations of the targeted members.

The Committee also heard that NAPSA had commenced a pilot of the tailored benefit package for the informal sector members up until September 2021. Following the successful pilot, a national roll out of the benefit package was earmarked for the first quarter of 2022. The Committee also learnt that in the 2020-2021 period, the Authority collected a total of K 17 million against the budget of K48 million. She further submitted that this was inspite of the challenges caused by the Covid-19 pandemic which included extension of pilot period from December 2020 to September 2021, as well as restricted outdoor activities.

Committee's Observations and Recommendations

The Committee expresses concern with how the Authority managed to collect contributions from the informal sector in the absence of the legal frame work. In this regard, the Committee directs that the Controlling Officer to ensure that the Authority operates within the provided legal framework to avoid ligations in an instance that stakeholders challenge its well intended programmes. The Committee further urges the Controlling Officer to ensure that management is proactive as it finds it unacceptable that NAPSA had included in its 2019 budget funds to be collected from the informal sector without an existing legal framework. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should be closed.

11.2 Financial Analysis

11.2.1 Statement of Changes in Net Assets Available for Benefits

The Controlling Officer submitted that the observation by the Auditor General that the net assets available for benefits increased by K9,297,069,000 from K22,398,721,000 in 2017 to K31,695,790,000 in 2019 representing an increase of 42 per cent as shown in the Table 6 below was correct.

Table 6: Statement of Changes in Net Assets Available for Benefits

Description	2019 K'000	2018 K'000	2017 K'000
Net Assets Available at the Beginning of the Year	25,249,316	22,398,722	17,036,186
Member Service Operations			
Contributions from Members	4,260,319	3,473,601	3,270,016
Pension claims & Withdrawals	(404,008)	-243,817	-247,592
ZNPF Claims	(413,796)	(312,160)	(201,797)
Normal Retirement Pensions	(336,074)	(284,501)	(243,856)
Funeral Grants (NAPSA)	(18,967)	(19,126)	(13,875)
	3,087,474	**2,613,997**	**2,562,896**
Investment Operations			
Investment Income	5,025,279	3,730,782	3,357,925
Net Exchange Gains	(633)	1,156	(13,756)
Tax Expenses	(384,553)	(227,495)	(266,571)
Impairment Loss on Stocks and Bonds	1,100	(1,900)	
Impairment Loss on Other Investments	(6,294)	(18,718)	
Impairment Loss on Loans & Advances	(322,088)	(531,766)	
Impairment Loss on Housing Inventory	(3,122)	(29,879)	(26,953)
Handling Fees	(29,858)	(31,836)	(31,990)
Bad Debt Provisions	(311,678)	(3,921)	(26,164)
Change in Market Value of Investments	(17,955)	(2,179,385)	220,918
	3,950,198	**707,038**	**3,213,409**
Management Expenses			
Employee Benefits Expenses	(320,419)	(306,515)	(258,263)
Administration Expenses	(182,260)	(143,688)	(140,643)
Depreciation Expenses	(87,243)	(20,230)	(15,565)
Gains/(Losses) on Disposal of Equipment	(1,276)	(8)	701
	(591,198)	(470,441)	(413,770)
Net Increase in Net Assets	**6,446,474**	**2,850,594**	**5,362,535**
Net Assets Available at the End of the Year	**31,695,790**	**25,249,316**	**22,398,721**

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and directs that documentary evidence should be submitted to the Auditor General for verification, with regard to the impact on the members' contribution, subject to which the matter should be closed.

11.2.2 Statement of Net Assets Available for Benefits

The Controlling Officer submitted that the observation by the Auditor General as shown in Table 7 below was noted and agreed to. She further informed the Committee that the increase in other receivables attributed to VAT, during the period under review had been a subject of audit by ZRA and out of K114,009,187.96 VAT claimed from ZRA, K109,632,657.83 had been admitted for refund by ZRA to NAPSA leaving a balance of K4,376,530.13 which was expected to be resolved by 30th September 2021. She further informed the Committee that discussions were underway with ZRA to close the matter with regard to the outstanding balance of K4,376,530.13. The Committee also learnt that the amount for receivables was growing because, before any payment was effected, the transactions were subjected to an audit.

Table 7: Statement of Changes in Net Assets Available for Benefits

Description	2019 K'000	2018 K'000	2017 K'000
Members Funds	31,695,790	25,249,316	22,398,721
Assets			
Investments			
Government Securities	15,658,087	12,609,075	10,859,553
Other Securities	6,552,644	5,019,085	4,275,658
Equity Investments	1,121,100	1,312,402	1,579,363
Loans & Advances	3,704,226	2,911,512	2,526,255
Housing Investory	157,800	218,924	305,979
Investment Properties	3,063,930	2,764,727	2,314,785
	30,257,787	**24,835,725**	**21,861,593**
Other Assets			
Bank & Cash Balances	869,493	229,147	139,061
Employee Receivables	3,262	3,309	6,387
Other Receivables	149,806	131,506	99,350
Consumable Stores	1,569	1,322	1,858
Contribution Receivables	664,612	236,917	689,891
Property & Equipment	129,848	156,497	149,017
	1,818,590	**758,698**	**1,085,564**
Total Assets	**32,076,377**	**25,594,423**	**22,947,157**
Liabilities			
Income Tax Liabilities	(101,242)	(76,058)	(136,350)
Provisions for Claims Payable	(7,287)	(7,287)	(13,037)
Other Payables & Accrued Expenses	(267,568)	(253,484)	(392,062)
Deferred Liabilities	(4,490)	(8,278)	(6,987)
	(380,587)	**(345,107)**	**(548,436)**
Net Assets Available for Benefits	**31,695,790**	**25,249,316**	**22,398,721**

Source: NAPSA Annual Report for 2019

She further submitted that it was regrettable that rental income was also outstanding and had not been collected.

Committee's Observations and Recommendations

The Committee notes the Controlling Officers submission and resolves to await an update on the collection of the outstanding rental income and on the reconciliation on the claim of the outstanding VAT refund. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

11.3 Operational Matters

(i) Failure to adhere to the Seventh National Development Plan, administrative costs

The Controlling Officer submitted that the cause of the query was the misalignment between the target in the Seventh National Development Plan (7NDP) and the *National Pension Scheme Act No. 40 of 1996*. Whereas the 7NDP plan targeted 10 per cent of contributions for Authority expenditure, there was a separate legal framework that regulated the expenditure of the National Pension Scheme Authority.

Section 42(b) of the *National Pension Scheme Act No. 40 of 1996*, allowed the Authority to discharge from the assets of the scheme expenses incurred in connection with or incidental to management and administration of the Scheme. She further submitted that NAPSA had a pre-determined target of 15 per cent on collections of contributions in a particular year and an indexed formula on the capital expenditure expenses as determined by its actuaries as indicated in the NAPSA actuarial valuation report of 2017 and 2008.

The setting of a pre- determined target of 15 per cent on expenses was in line with regulation 40 (1) of *National Pension Scheme Act No. 40* which required that NAPSA prudently manage the scheme to ensure that at all times the scheme was financially sustainable and was in a state of actuarial correctness. The determination of the cap was determined by the actuaries in accordance with the Act. In this regard, there was, therefore, need to correct the misalignment between the target in the 7NDP and the *National Pension Scheme Act No. 40* of 1996. Management would submit proposed changes for inclusion in the Eighth National Development Plane.

Committee's Observations and Recommendations

The Committee observes with concern that the response from the Controlling Officers suggests that there was no audit query because what the Auditor General queried was provided for in the law. The Committee finds this unacceptable and directs the Controlling Officer to institute disciplinary action against the Director General for this deliberate refusal to adhere to the provisions of the law. Furthermore, the Committee is disappointed that management failed to provide documentary evidence to the auditors and, therefore, recommends that disciplinary action should be meted out against all the officers and their superiors who failed to take the audit exercise seriously. The Committee directs the Controlling Officer to ensure that re-alignment is expeditiously undertaken if need be. The Committee further observes with concern that the submission by the Controlling Officer that NAPSA had a pre-determined target of 15 per cent of the contributions to be used on capital expenditure expenses was contrary to the audit on the limit costs perked at 10 per cent for administrative costs. In this regard, the Committee directs that disciplinary action should be instituted against all officers responsible. The Committee will await an update on the matter.

(ii) Weaknesses Reported in the Actuarial Reports

The Controlling Officer apprised the Committee that Section 44 (1) of *the National Pension Scheme Act No. 40 of 1996* provided for the Scheme to be valued by an actuary at intervals not exceeding three years. She further submitted that a review of the Actuarial Reports for the period ended 31st December, 2017 revealed the following.

(a) Actuarial Deficit

The Controlling Officer submitted that the Actuarial deficit as observed by the Auditor General was by design and was expected. She further apprised the Committee that there were three types of Scheme designs which were:

i. fully funded schemes (No Actuarial deficit was expected)
ii. pay as you go schemes (High Actuarial deficit was expected)
iii. partially funded Schemes(Moderate Actuarial deficit was expected)

The Committee learnt that National Pension Scheme by design was a partially- funded scheme and adopted the financing mechanism called the Scaled Premium funding method. This funding method did not aim to achieve full-funding and therefore, the existence of an actuarial deficit was not unexpected. The Controlling Officer further submitted that the approach adopted calculated the resulting liabilities by discounting the value at the valuation date of the benefits arising from contributions made before that date. If this sum of money was invested at the valuation date and earned investment returns in line with assumed discount rate, it would just be sufficient to finance the benefits in respect of past contributions (Including ZNPF contributions).

The Committee also heard that in this respect, therefore, the actuarial deficit was dependent on the return on investment and membership growth per annum. Accordingly, the Authority pursued a minimum investment return of 5 per cent above the earnings and membership growth of 3 per cent per annum. This enabled the scheme to achieve above 63 per cent funding level as per Table8 below and at this rate as reported in the latest actuarial report (2017) the scheme would remain financially viable until 2050 when the contribution rate was expected to be re-looked at to ensure it was sufficient to finance the emerging liabilities.

Table 8: NPS liabilities and actuarial surplus/deficit as at 31 December 2017 – short records using three different discount rate scenarios

Kw Billion	Discount rate		
	Earnings+5%	Earning +0%	Earnings-5%
Value of Scheme liabilities	35.3	91.2	500.1
Assets	22.4	22.4	22.4
Surplus(deficit)	(12.9)	(68.8)	(477.7)
Funding Level (Assets as % of Liabilities)	63.4%	24.6%	4.5%

The Committee also learnt that the 2017 actuarial report presented evidence that the Authority would be able to discharge its mandate and set out estimates of future expenditure from the NPS, including expenditure on expenses and ZNPF, benefits and the break-even contribution rates required such that contribution income equaled expenditure in each year. Therefore, from the 2017 Actuarial Report, the break-even contribution rate was projected to remain below the prevailing rate of 10 per cent until around 2050. Actuarial valuations were undertaken every after three years to enable the Authority to monitor the ability of the Scheme to discharge its mandate regularly. The Controlling Officer also informed the Committee that concern on the sustainability of the Authority would arise if the funding level was below 50 per cent. Therefore, because of the design of the scheme, the actuarial report would always show a negative. The Committee further learnt that the scheme operations were sound and that an Actuarial review for 2021 was underway. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee is disappointed that there is a propensity by NAPSA management not to take the audit exercise seriously. The Committee is concerned that NAPSA failed to explain to the auditors issues surrounding the funding mode and the actuarial report. The Committee reiterates its call for the Controlling Officer to direct management to take the audit exercises seriously as the Committee is concerned with the disregard of provisions of the *Public Finance Management Act No 1 of 2018*. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should be closed.

(b) Failure to Liquidate Zambia National Provident Fund (ZNPF) Liability

The Controlling Officer submitted that the observation by the Auditor General that NAPSA was advised to review its obligations to the Zambia National Provident Fund (ZNPF) and National Pension Scheme (NPS) members which stood at K 2.8 billion in respect of 2,296,877 members as at 31st December, 2017 was correct. She further submitted that it was unfortunate that the liability stood at K5.78 billion as at 31st December, 2020 due to future compounded interest at 27.3 per cent. The Committee further learnt that the Authority was awaiting amendment of the law to provide for closure of ZNPF member accounts. The proposal to wind down the ZNPF was floated at the highest level with all stakeholders involved including the Tripartite Consultative Labour Council (TCL) which in principle approved the proposal. To this effect, in 2020, the Cabinet Internal legislative Council approved the proposed amendment bill to be tabled before the full Cabinet in readiness for presentation to Parliament. The decision of Cabinet was still awaited. This was in line with the Actuary's recommendation that the Authority needed to consider a range of factors before adopting such a proposal including legal, administrative and policy issues. In this regard, in the absence of enabling legislation to support closure of the ZNPF, the Authority was yet to implement the proposal.

Committee's Observations and Recommendations

The Committee finds it irregular that NAPSA cannot dismantle ZNPF liability, not until the existing ZNPF legislation is amended. The Committee observes with concern that failure to clear this liability may increase financial pressure on the Government as the Scheme may not be able to liquidate the ZNPF liability as it continues to grow. The Committee directs the Controlling Officer to ensure that this query is resolved expeditiously and condemns the inordinate delay it has taken to amend the law. The Committee resolves to await an update on the matter.

(iii) Management of Members Standing Data

The Controlling Officer apprised the Committee that the NAPSA had 1,790,073 members as of December, 2019. The Controlling Officer further informed the Committee that according to the Authority's Know Your Customer (KYC) guidelines, each member on the database had to, among other information; possess a social security number, National Identity Number (NRCs) and names. The Controlling Officer further submitted that an analysis of the database to establish conformity to the KYC and data integrity revealed the following:

(a) Members with Shared National Registration Card Numbers

The Controlling Officer submitted that the sharing of NRC numbers was due to duplications arising from the National Registration Office. The duplications in NAPSAs system related to historical registrations that were done before eNAPSA system and other controls were progressively implemented to prevent the data inconsistency.

The Controlling Officer further informed the Committee that the Pension administration system that was used to register members and generate social security numbers was configured in a manner that validated the NRC numbers, so that the same NRC number could not be recorded more than once in the system. This validation was meant to control duplicate registration of members or allocation of multiple social security numbers to the same member. Following the implementation of validation on the NRC numbers, the problem had been stemmed as the system was capable of identifying duplication with an error message popping up if a user attempted to register an NRC that already existed in the database. The introduction of eNAPSA in 2017 and its associated automated return validation protocols also addressed the problem from the return submission angle, as employers could not file an incomplete return and proceed to make payment. In addition, management had been working to cleanse the legacy database of shared NRC numbers and duplicate registration and in the period 2019 to 2020 a total of 107,953 duplicate records were normalised and in 2021,25,534, member records had been normalised.

Furthermore, management had been collaborating with the National Registration Office in the implementation of the biometric registration project. The Controlling Officer further informed the Committee that the verification process was thorough, and this, sometimes this lead to delayed payments so that no money could be paid to wrong people or claimants. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that management expeditiously cleanses the legacy database so that there is no opportunity for the Authority to pay wrong people, especially those with duplicate details. The Committee directs that a time frame should be provided when the exercise will be completed. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await an update on the matter.

(b) Missing Essential Member Details

The Controlling Officer submitted that the missing of essential member details for 43,878 members who made contributions in amounts totalling K 548,174,090, such as registrations particularly NRC numbers, was as a direct result of the challenge associated with the legacy return and payment system that allowed unverified data to be submitted to support a contribution payment. Therefore, before the implementation of the online return filing and payment (eNAPSA), the returned filing and payment systems were not integrated and real-time data validation was absent. The returns were merely vetted manually before receipting a payment. As a result, the employers' submitted returns with incomplete member data such as full names, invalid NRC numbers for unregistered members. Consequently, management created social security numbers using the same incomplete data reflected on the return document and this resulted in the generation of the observed social security numbers with missing information. However, this no longer happened under the new system and eNAPSA platform which had inbuilt validation process that preceded return submission and payment. From the 43,878 irregular NRC numbers noted, 46 per cent were valid records as they represented passport numbers for foreign employees, NRC numbers for non-commonwealth countries and valid NRC numbers with a leading zero as shown in Table below 9.

Description	Number of Records	Comment
Passport No	16,860	Valid record
Valid NRC Nos for Non-Commonwealth employees	2,662	Valid record
Valid NRC with a leading Zero	458	Valid record
Man No	2,777	Invalid record
Irregular NRC No	21,121	Invalid record
Total	43,878	

The Committee learnt that the remaining 23,898 records which was less than 1 per cent of the total membership was being done through employers for members still in employment while for those that had left employment, it was done at the point when the member sought a service or made a claim.

Committee's Observations and Recommendations

The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await an update on the matter.

(iv) Management of Contributions

(a) Failure to Collect Contributions National Pension Scheme

The Controlling Officer submitted that failure to collect contributions and penalties was chiefly attributed to non-compliance by the Government and its related institutions. The debt stock observed by the auditor comprised 82 per cent penalties and 18 per cent principal contributions amounting to K2.9 billion. The Controlling Officer further submitted that 83 per cent of the principal contributions were owed by the Government and its related institutions which were considered to be sensitive and were highly protected. On the other hand, the rapid escalation of the penalty component which accrued at 20 per cent for each month basically doubled the penalty debt every five months and hence the proposal for it to be reduced.

The Controlling Officer further informed the Committee that management had put in place a robust strategy on the enforcement of compliance and recovery of arrears that was anchored on the Authority's Debt Policy and international best practice. Furthermore, management had proposed legislative changes to reduce the penalty rate as well as extend a one-time penalty amnesty that would incentivise employers to clear their debt. The draft Bill to provide for those changes was awaiting Cabinet consideration. The other element of the compliance enforcement strategy was the collaboration of the Authority with other strategic institutions that had a mandate to issue licenses such as National Construction Council. However, as indicated in the response rendered by management to the previous audit queries, management executed debt swaps with local authorities, UNZA, Daily Mail, Times of Zambia and other service providers to the Authority. This resulted in the recovery of the sum of K 176,293,675.81 in addition to K 850,203,195.00 collected through other enforcement activities such as prosecutions etc. Other significant measures undertaken by management to dismantle the arrears included the sustained prosecutions of employers. The Committee also heard that the stock of outstanding contributions was dynamic in the sense that as management implemented various interventions to clear the debt stock, fresh debt was contracted. However, the overall outstanding principal amount reduced to K 1.9 billion by September 2021.

Committee's Observations and Recommendations

The Committee observes that the Controlling Officer failed to substantiate why the Authority failed to collect contributions from the members. The Committee is perturbed to note that the law is not being applied equally as there are some institutions that are deemed to be protected and are allowed to abrogated the law with impunity. The Committee is in agreement with the Authority that the rapid escalation of the penalty component which accrues at 20 per cent for each month, and basically doubles the penalty debt every five months is punitive and too high. In that regard the Committee recommends that the penalty component must be changed with immediate effect. Furthermore, the Committee welcomes the proposal to extend a one-time penalty amnesty that would incentivise employers to clear their debt. The Committee resolves to await an update on the draft bill which is envisaged to provide for the proposed changes.

(b) Failure to Allocate Contributions eNAPSA K 2,995,136

The Controlling Officer submitted that reconciling items on eNAPSA accounts arose mainly from teething system problems during the implementation of the eNAPSA system, affecting both the NAPSA and the Bank platforms. As regards to the resolution of legacy issues, management had set a team to resolve the remaining legacy issues by the end of 2021 and the team had since allocated and receipted transactions in the sum of K 684,224 thereby reducing the reconciling items from K 2,995,136 to K 2,310,912. The outstanding balance represented 0.6 per cent of the monthly collections amount. She further informed the Committee that the teething challenges were largely resolved and as at November, 2021, the outstanding reconciling items stood at K732, 663.

Committee's Observations and Recommendations

The Committee directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close.

(c) Unreconciled Legacy Items K43,807,761

The Controlling Officer informed the Committee that the above un-receipted transactions were primarily on account of remittances made by employers using RTGS/bank transfer before the option was restricted in October, 2019 after which all the banks and Mobile Money providers were boarded on eNAPSA. The backlog of un-receipted payments was therefore, largely on account of previous payment arrangements before the discontinuation of RTGS payments, as payment plans that were being made going forward would be through RTGS and there was a pre-authorisation by management before the bank executed the transfer instruction from the employer. The Controlling Officer further informed the Committee that the Authority had since February, 2021 receipted a total of K 28,107,108.00 from the backlog of K 43,807,761.00. Management was making follow-ups with the employers and banks to complete the exercise. The outstanding sum of un-receipted transactions as at 30^{th} September 2021 stood at K 15,620,652.11

Committee's Observations and Recommendations

The Committee expresses concern that it has taken an inordinate delay to reconcile legacy items. The Committee directs that a time framw should be provided as to when the process will be completed. The Committee further directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await an update on the matter.

v. Failure to adhere to Board Approval Purchase of Land

The Controlling Officer submitted that the query arose because management did not purchase the entire 1,500 acres in Mean Wood Ibex from Mean Wood Development Company at a total cost of K 75,000,000 as approved by the Board. She further submitted that the decision by the Authority not to pay for the twenty one of the 1,500 acres was based on the topographical survey conducted in 2011 which established that the land near the Chalimbana River was susceptible to flooding and therefore unusable. The Committee was also informed that all the relevant governance procedures were adhered to in the purchase of the Meanwood land as the Authority proceeded to purchase the entire 602 hectares but did not immediately pay for the twenty one acres. The Authority did obtain expert advice before purchasing the said land through a topographical survey that was undertaken to ascertain the suitability of a housing scheme at the Meanwood land. The decision by the Authority not to pay for the twenty one acres was based on this expert report that established at that point that the portion of the land that was near the Chalimbana River was susceptible to flooding and the Authority was advised to negotiate for a lower price. The topographical survey also recommended that a more detailed survey needed to be undertaken before commencement of the construction project to ensure that infrastructure was placed in the correct positions for proper utilisation of the land.

The Committee further heard that between 2011 and 2015 the Authority could not proceed with any further activities (including conclusion of the negotiations for the payment of the twenty one acres), in relation to the land as a Commission of Inquiry was established to review NAPSA's acquisition of the land until the Authority obtained clearance from Government, about 2015. In 2016, the Authority engaged Afritech Asset Management Limited ("Afritec"), to undertake the detailed survey of the entire 602 hectares which comprised geotechnical, hydrogeological and topographical surveys and; an environmental impact assessment and a land utilisation study. In this regard, the amount which was paid to Afritech was for the various surveys (detailed study) which were conducted for the entire 602 hectares.

The Controlling Officer further submitted that the detailed survey established that whilst the land near the river bank was not suitable for purposes of constructing houses, it was in fact usable for purposes of establishing green zones which promoted the eco-system and environmental sustainability in the usage of land. Based on the recommendation from the Geo survey and land utilisation the Authority decided to proceed to pay for the twenty one acres after obtaining relevant Board approvals.

The Authority did negotiate to pay a lesser amount for the twenty acres of land than the initial price of K50,000 per acre. However, the Vendor demanded to be compensated on account of passage of time and the fact that they had been deprived use of the funds for the period that the twenty one acres remained unpaid for. The Authority undertook a valuation of the land which pegged the value at K2,550,000. The parties further considered that had the Vendor invested the funds into a fixed term deposit from 2011 when the funds fell due and payable at the prevailing interest rates, the funds would have grown to K2, 558,000 by December 2016. Therefore, the Board of Trustees approved the negotiated price of K2, 550,000.00 for the twenty one acres as it compared well with both the market valuation as well as the internal valuation conducted for and on behalf of the Authority. The scenario was also considered a reasonable basis to address the opportunity costs suffered by the Vendor from 2011. It was worth noting that the K1.5 million opportunity cost borne by the Authority, had since been recouped through capital gains in respect of the land over the years as the land which was acquired at K75 million was valued at K210,000,000 as at 31 December 2020. The Committee also learnt that the Authority had launched the sale of the plots in Precinct one at River View Park (Meanwood Land) to recover the investment at a profit.

Committee's Observations and Recommendations

The Committee is disappointed to note that the Authority seems not to have undertaken a comprehensive study during the initial procurement of the land. In as much as the Authority did not make a loss, the Committee finds it unacceptable that the decision not to purchase the twenty one acres of did not have Board approval. In this regard, the Committee directs tat disciplinary actions should be instituted against the Director General. Furthermore, the Committee is of the considered view that management should have re-engaged the Board on the advice from Afritec Asset Management Limited. In that regard, the Committee recommends that the Controlling Officer should caution management in writing, against blatant disregard of the decisions of the Board. The Committee further directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should close.

11.4 Investment Matters Pension Funds

A review of the performance of the investments during the period under review revealed the following irregularities, to which the Controlling Officer submitted as set out below.

11.4.1 Failure to Attain Budgeted Gross Revenue

The Controlling Officer submitted that the observation by the Auditor General that the Authority did not achieve the set revenue target of K 1,141.894,087 and had a negative variance of K320,605,121 having generated amounts totalling to K 821,288,966 was correct. She further informed the Committee that the variance on Real Estate was attributed to budgeted sales for houses in Solwezi, Chitambo and Chinsali. In addition it was targeted that plots in Riverview park would be sold. However, due to the delays in the projects implementation the budgeted revenues could not be realised. She further submitted that private equity revenue related to the Loan advanced to Society House Development Company Limited (SHDCL) was impaired due to a default arising from low income generated by the company whose assets which was the mall, suffered from a high vacancy rate. Furthermore, Corporate Bonds variance was attributed to non-issuance of corporate bonds in the market as envisaged by the Authority. Socially targeted variance was due to slow uptake of the loan facility. Subsidiaries variance was due to the hotels anticipated dividends not materialising, due to economic challenges, such as power outages, and gassing effects. She further informed the Committee that infrastructure revenues were on target and that the listed equities achieved 96 per cent of the target return. Overall, there had been a remarkable improvement in the returns for the portfolio compared to the period under review

Committee's Observations and Recommendations

The Committee observes that the Authority failed to achieve its targeted gross revenue. The Committee directs that an update should be provided on what the Authority has done on the loan to Society House Development Company Limited (SHDCL), which had been impaired due to default arising from low income generated by the company, whose assets suffered from a high vacancy rate. The Committee observes that this investment has had numerous challenges and irregularities based on other reports of the Auditor General. The Committee directs that all documentary evidence should be submitted to the Auditor General and the Committee will await an update on the matter.

11.4.2 Poor Performing Investment Portfolios

The Controlling Officer informed the Committee that K191, 302,470 was a capital loss on downward share price movements on the stock exchange due to the performance of the investee companies on the market. She further submitted that this was a reflection of their performance during the period under review and that the Authority had no control on economic factors. She further submitted that the total capital losses suffered by the Authority of totalling K2,731,325,257 related to movements in interest rates on the market reflecting the economic environment and were unrealised losses which would reverse when economic variables had improved. Further at maturity of the instruments, the unrealised losses would be reversed. The Committee learnt that the overall the Authority's performance had improved as at 30th September, 2021 compared to the period under review as shown in the Table 10 below.

Asset Class	Actual Sep-21	Actual Jun-21	Actual Mar-21	Actual YTD Sep-21	Budget YTD Sep-21	Variance Budget to Actual	%Var
GRZ Bonds	1,128,297,593	1,039,554,089	1,091,230,699	3,259,082,382	1,806,239,060	1,452,843,322	80%
T-bills	91,494,335	83,793,901	86,567,243	261,855,479	348,679,655	(86,824,177)	-25%
Equities	13,739,779	42,440,993	5,848,356	62,029,127	6,000,000	56,029,127	934%
Corporate bonds	150,885	724,572	880,035	1,755,492	3,574,626	(1,819,134)	-51%
Term deposits	353,357,021	349,121,414	321,104,869	1,023,583,304	657,441,706	366,141,599	56%
Real Estate WIP	25,263,904	25,969,566	25,661,782	76,895,252	227,526,050	(150,630,797)	-66%
Subsidiaries	-	-	-	-	-	-	0%
Infrastructure	324,662,809	324,918,768	303,845,574	953,427,151	689,723,039	263,704,111	38%
SHDCL	-	-	-	-	-	-	0%
Socially Targetted	9,054,552	2,107,585	1,897,140	13,059,277	11,311,191	1,748,087	15%
Economically Targetted	18,951,831	14,042,073	13,887,764	46,881,669	21,208,483	25,673,186	0%
Green Field	85,851,233	97,978,992	47,119,480	230,949,705	73,597,358	157,352,347	0%
TOTAL	**2,050,823,944**	**1,980,651,952**	**1,898,042,942**	**5,929,518,838**	**3,845,301,167**	**2,084,217,671**	**54%**

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to come up with measures that hedge the Authority's investments against economic turbulences, especially on portfolios which the Authority has control. The Committee further directs that all documentary evidence in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await an update on the matter.

11.4.3 Investment Matters Non Performing Fixed Term Deposits

The Controlling Officer submitted that the observation by the Auditor General that the Authority had placed three fixed term deposits with the Development Bank of Zambia (DBZ) in amounts totalling K81,212,273 which were secured with three (3) collaterals valued at K242,760,800 was correct. She further submitted that the audit query had been occasioned by DBZ's failure to adhere to the terms of the loan agreement. DBZ defaulted on the loan repayments (through a bullet payment) and therefore the loan had not yet been fully recovered.

The Controlling Officer further informed the Committee that following the default by DBZ on the two loan facilities, the Authority commenced two litigation matters against DBZ which culminated into settlement agreements. The Committee learnt that one of the terms of the settlement agreements was that the outstanding debt would be settled in monthly installments. Furthermore, the settlement agreements provided for mechanisms of enforcing the Authority's rights in an event that DBZ failed to adhere to the terms such as the right to take possession of the collateral which was pledged, which included a third party mortgage involving a company called Scirocco. She further informed the Committee that in the first settlement agreement DBZ had remitted a total of K49,000,000, although the monthly installment remittances by DBZ had not been consistent in line with the settlement agreement signed by the parties. The Committee further heard that in the second settlement agreement with regard to Scirocco, it had been more consistent in making payments to the Authority and had remitted K11,828,655.56. The Committee further heard that the loan outstanding balances and the number of months it would take for both DBZ and Scirocco to redeem their loan amounts was as shown in the Table 11 below.

REMAINING REPAYMENT TENOR	**DBZ (K)**	**Scirocco (K)**	**Total**
Outstanding Balance as at November 2021 including accrued Interest	40,525,860.63	28,927,531.68	69,453,392.31
Minimum Agreed Monthly Repayment	5,000,000.00	800,000.00	
Remaining No of Months to Repay outstanding loan	**8**	**36**	

The Committee also informed the Committee that management had issued a final demand notice to DBZ. In that regard, in an event that DBZ failed to make good the Authority would initiate litigation and enforce its rights over the pledged collateral.

Committee's Observations and Recommendations

The Committee observes with concern the failure by DBZ to honour its loan obligations. The Committee directs the Controlling Officer to provide a time frame within which DBZ is expected to complete settling the loan. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await an update on the matter.

11.5 Investment Matters Collection of Rentals
11.5.1 Poor Collection of Rentals Arrears

The Controlling Officer submitted that the observation by the Auditor General that, NAPSA had several commercial properties which included Levy Business Park, Stay-Easy Hotels, Kalulushi Residential Houses and Ex-ZNPF Buildings and that the Authority was owed rentals in amounts totalling K171,237,02 as at 31st December 2019 and that some of which had been outstanding from as far back as 2011 was correct. The Controlling Officer further informed the Committee that management's efforts to collect the legacy debt had been largely inhibited by the protracted legal processes required before evicting defaulting tenants from the business premises. Management had taken steps to strengthen the end to end processes of tenant's management, including: on boarding of tenants; vetting or validation of the financial capacity of the tenants; ensuring leases were signed and registered before handing over leased premises; and submitted proposals to appropriate Parliamentary Committees to amend the laws to avoid unnecessary protracted litigation. The Committee learnt that the Authority had outstanding rental issues with MJA, which was a leasing agent for the properties situated at Levy Park Mall.

The Committee also heard that properties were leased out using offer letters, and that the lease agreements that were issued were not signed. The Controlling Officer indicated that it was regrettable that the tenants took the matter to court after the Authority had decided to evict them and unfortunately, the court ruled in favour of some of the tenants, for them not to pay for the rentals for the period 2011 to 2013 as the lease agreements had not been signed. She further submitted that the Authority had obtained fourteen judgments against some of the tenants who had resolved not to pay the outstanding rentals even after the courts judgment for them to sign new leases. Efforts were being made to enforce the judgments, however, the Authority had encountered some challenges in executing the said judgments such as: some of the tenants could not be traced and in instances where the judgments had been executed, the goods owned by the tenant had not been sufficient to recover the high amount of rental debt that had accumulated due to the protracted litigation;

With regard to Freshview Cinemas, the Committee heard that the dispute arose when Freshview Cinemas refused to pay outstanding rental arrears, on the pretext that there was an agreement between them and the Authority, for Freshview to install equipment in the Cinema and not to pay rentals equivalent to the amount for installation. However, the records showed that NAPSA had paid for the installation of the equipment and not Freshview. Arising from the impasse, Freshview took the matter to court.

The Controlling Officer further informed the Committee that with regard to the Kalulushi Housing Project, fifty six tenants who were sitting tenants at the Kalulushi Complex commenced an action against the Authority seeking among other reliefs a declaration that they were entitled to purchase the houses as sitting tenants on rent to buy basis following a political pronouncement as this had not been part of the tenancy agreement. Consequently, the tenants obtained an interim injunction order restraining the Authority from interfering with or disturbing their occupancy of the houses until the case was disposed of. The Authority's position which was backed by the offer letter indicated that express terms of the offers were to rent and that the ultimate aim or intention of the Authority was to sell once purchasers were found. The

Committee learnt that the trial in the matter had commenced and was still ongoing. The parties were however trying to explore an ex-curia settlement.

Committee's Observations and Recommendations

The Committee observes with extreme concern that the Authority seems to be facing many challenges with tenants. The Committee further notes that there has been lack of professionalism in the manner that lease agreements have been managed and consequently the Authority has been unnecessarily dragged to court. A case in point is the impasse with MJA leasing agents where lease agreements were issued but not signed and the Authority ended up losing income. The Committee recommends that disciplinary action should be meted out on the officer(s) who poorly managed the Agent. The Committee further condemns the lack of proper management of records with regard to Freshview Cinemas and is disappointed that the Authority has been dragged to court due to its own negligence. The Committee directs that all documents in support of the submission should be submitted to the Auditor General. The Committee will await an update on the matter.

11.6 Investment Matters Construction Defects Re-Development of Society House and Central Arcades Project

The Controlling Officer submitted that the Authority established the Projects Directorate in 2015 to provide technical ability and capacity to enhance the prudent implementation of infrastructure projects. The recruitment of staff began in 2016 and by May 2020 the Directorate had a full team representing the key fields for effective project management, supervision and monitoring. The Authority had engaged the Engineering Institution of Zambia (EIZ) and raised a complaint on the contractual structural engineering design, construction and supervision services it had engaged for the development of the Society Business Park Office Block. The Disciplinary Committee of EIZ had since commenced sittings on the matter. The strengthening works on the columns began on 9th July 2020 and were completed on 27th November 2020 using Grade 70Mpa High Performance Fibre Reinforced Concrete (HPC) Jacket. The Independent Engineer (Kiran & Musonda) issued a project final report on their findings, whilst the EIZ commenced the independent verification on 9th February, 2021. EIZ was yet to avail NAPSA with the final report and findings of the Independent Engineer (Hopkas Engineering). The cost for the remedial works was charged to the contractor through the withheld retention amount. The EIZ report on the matter was still being awaited.

Committee's Observations and Recommendations

The Committee is disappointed to note that the re-development of Society House and Central Arcades Project has been marred with a lot of inefficiencies, such as poor execution of construction works. This has resulted in the public doubting the safety of the newly constructed building. The Committee further doubts if proper detailed engineering designs were done before commencement of the works. The Committee directs that disciplinary measures should be instituted on all engineers who failed to execute their duties effectively. The Committee further directs the Controlling Officer to submit the EIZ report to the Auditor General for verification. The Committee will await an update on the matter.

11.6.1 Failure to Confirm Validity of Advance Payment Guarantee and Performance Bond Yangts Jiang Limited

The Controlling Officer submitted that the query had been caused by potential fraud, arising from the suspected collusion between the Contractor and Bank of China employees which led to the issuance of forged advance payment guarantee and performance bond in 2011. The Committee learnt that the contractor who at the time of the audit had abandoned the project had been paid an advance payment of K 183,272,635. The Controlling Officer further informed the Committee that to mitigate the risk stated above, the following actions had been taken by management: the Authority took legal action against the Bank of China and the Contractor intended to recover the outstanding amounts under the guarantees immediately the Bank of China dishonored the guarantees, management reported the matter to the police whose investigations indicated that the guarantees issued to NAPSA were forged due to suspected connivance between the contractor and the employees of the issuing Bank. Management had continued to follow up the police with regards to the conclusion of the criminal investigations, arrest of the contractor and its criminal accomplices. Further, in 2018 management commenced a legal action against the Bank of China and YJEL to enforce both the unrecovered amounts under the Advance Guarantee and the Performance guarantee. Unfortunately the matter was still a subject of protracted litigation.

The Committee also learnt that management had also taken additional corrective measures such as putting in place robust end-to-end processes to ensure that guarantees issued in favour of the Authority were verified before payments were made. Further, management also obtained specimen signatures of the signatories to ensure that the guarantees were signed by authorised officers. In addition, a register was maintained which tracked the security amount, expiry date and the duration of the contract. In cases of expiry of the security documents and where the works were still ongoing, the security was renewed. Further, a contract manager was appointed for each project whose role included tracking the guarantees issued on a particular project.

The Controlling Officer also informed the Committee that the Authority had established a fully-fledged and operational Projects Directorate with relevant professionals and expertise to oversee all aspects of project management undertaken by the Authority from inception to completion and; to ensure quality control, timely delivery of projects and value for money going forward. The Controlling Officer also informed the Committee that management had suspended all payments to the contractor. Furthermore, management withheld K20 million as retention, whilst pursuing the legal action against the contractor, and the Bank of China in respect of the K66 million unrecovered advance payment. The Committee also learnt that at the time the contractor abandoned works, the outstanding works costed K 76 million coupled with other cost variations on the works.

The Controlling Officer also informed the Committee that the matter was still subject to litigation, and the liquidator of YJEL had filed further claims in court demanding among other claims payment of retention. The Authority was defending these claims and counterclaiming damages for breach of contract on account of non-performance of its obligations to complete the contract, consequential loss of business, damages for fraudulent misrepresentation on the guarantees.

Committee's Observations and Recommendations

The Committee observes with consternation the loss of funds by the Authority due to poor management of its contracts and failure to undertake proper due diligence as evidenced by the reactive manner in which management acted after the fraud. The Committee finds this unacceptable and in admissible as there is failure on the part of management to have failed to validate the guarantee and performance bond before signing the contract. In this regard the Committee strongly recommends that disciplinary action should be meted out against all officers and substantive supervisors who occasioned this administrative lapse. The Committee further notes that the Authority lost more money than the assumed advance payment, and that the Controlling Officer has not highlighted the exact loss in terms of the outstanding works, variations in the works, loss of business and litigation among others. The Committee directs that a right amount should be calculated and submitted to the Auditor. The Committee directs that all documents in support of the submission should be submitted to the Auditor General. The Committee further directs the Secretary to the Treasury to take keen interest in the matter and resolves to await a progress report.

11.6.2 Loss of Business Due to Structural Defects K12,186,749

The Controlling Officer submitted that the observation by the Auditor General that Following NAPSA lost income in amounts totalling K12,186,749 during the period from October 2019 to December 2020 due to tenants vacating the office block on safety reasons due to the failure of Column T5 on the first floor of the office block at Society Business Park, was true. She further submitted that the strengthening works on the columns began on 9th July, 2020 and were completed on 27th November, 2020 using Grade 70Mpa High Performance Fibre Reinforced Concrete (HPC) Jacket. The Independent Engineer (Kiran & Musonda) had since issued a final project report on their findings, whilst the EIZ commenced the independent verification on 9th February 2021. EIZ was yet to avail NAPSA with the final report and findings of the Independent Engineer (Hopkas Engineering). The EIZ report would determine what course of action to take in order to remedy the situation and guide management on how to recover the losses suffered.

Committee's Observations and Recommendations

The Committee reiterates its call for the Authority to submit a comprehensive amount on how much income has been lost as a result of structural failure which should include the amount of renovations and who will bear the cost. The Committee further resolves to await an update on the release of the EIZ report and a progress report on the actual loss incurred.

11.7 Investment Matter Onerous Lease Agreement with Pick n Pay Zambia
11.7.1 Loss of Income as a Result of onerous contract K5,049,828

The Controlling Officer submitted that the cause for the query emanated from the delay in the completion of the construction project of Society House which resulted in other tenants pulling out thereby reducing the required minimum threshold of 70 per cent. The Controlling Officer further submitted that the terms of the Pick and Pay Agreement to Develop and Lease (ADL) was that Pick and Pay would only commence paying rent once certain conditions had been met by the Authority. One of the conditions stipulated that a minimum of 70 per cent of the tenants, based on the gross lettable area of the shopping centre, excluding the area of the supermarket, had to commence trading on the opening date. She further submitted that such stipulations were standard terms for a long term lease with an anchor tenant. This was because an anchor tenant or "draw tenant" played a key role in attracting large foot traffic to a shopping centre which had a ripple effect on the restaurants, coffee shops, entertainment outlets, in the mall. This, in turn, draw other tenants to the mall or the building, as they would feel assured of good foot traffic which was needed for them to record positive cash flows in their business. For this reason an agreement with an anchor tenant was usually finalised and signed with the landlord, before the commencement of the construction of a shopping centre as was the case with Pick and Pay.

At the time that the ADL was signed in 2011, the Authority was on course to meeting the standard terms having already signed up other key tenants like Edcon, Mr. Price and Pep. However, the challenge arose when the completion of the Society House project was delayed. The building which was supposed to be completed in June 2014 was actually only completed in June 2017. On account of this delay, these other key tenants eventually withdrew and the Authority struggled to secure new tenants who could enable the Authority to meet the tenancy threshold required by Pick and Pay. The terms of the ADL were met on the 1st of January 2019 and Pick N Pay commenced paying rentals. The Committee learnt that Pick n Pay had continued paying rent following the terms of the ADL being met.

Committee's Observations and Recommendations

The Committee is perturbed to note that the Authority failed to factor in possibilities of a delay and did not consider the interest of the Authority. The Committee directs the Controlling Officer to apprise the Committee on the impact on the Authority and pension's funds of non payment of rent by Pick n Pay during the period the Authority failed to reach the threshold of 70 per cent. The Committee directs the Controlling Officer to submit all documents in support of the submission to the Auditor General. The Committee will await an update on the matter.

11.7.2 Failure to Implement the Turnover Clause

The Controlling Officer informed the Committee that the observation by the Auditor General that NAPSA had received rentals in amounts totalling K210,410 from Pick n Pay Limited based on Clause 10.1 was correct. She further submitted that it was regrettable that contrary to Clause 12.1 NAPSA had not obtained financial statements from the supermarket to determine which rentals were due. The Committee learnt that Pick N Pay was engaged in 2021 to provide the financials relating to the store at Society Business Park to enable NAPSA to determine the appropriate basis on which to charge the rent. She further informed the Committee that the Authority had determined that the prevailing rental charge was higher than the rent computed using the turnover clause. Therefore NAPSA had not adjusted the rentals in line with this clause. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee expresses concern over the manner in which management has been handling its contract matters. The Committee observes with concern the tardy attitude by the Authority to invoke the clauses of the contract in particular clause 12.1. It is sad to note that management only reacted after the Auditor General queried the Authority. The Committee is in agreement with the Auditor General that, it is difficult to ascertain whether NAPSA had received the correct rental income during the period under review. The Committee is of the considered view that such laxity could be deliberate and a sign of collusion to defraud the Authority. In that regard, the Committee strongly recommends that disciplinary action should be instituted against all the officers in question and their substantive supervisors who failed to execute their duty. The Committee resolves to await an update on the matter.

11.7.3 Negative Viability Report on the Investment Hilton Garden Court Hotel

The Controlling Officer informed the Committee that the observation by the Auditor General that NAPSA signed a franchise agreement with Hilton International for the management of Hilton Garden Court Hotel was true. She further apprised the Committee that it was unfortunate that NAPSA's investment in the Hilton hotel over a five year period showed a negative Net Present Value (NPV) of US$12,668,000 and it would take NAPSA up to sixty five years to recover its initial investment cost. She further informed the Committee that the negative NPV was occasioned by cost escalations due to delays in completing the project. The delay led to a change in the operator from Holiday Inn to Hilton Hotels. Furthermore, the incremental cost of the change of operator arose from the change of design specifications as required by the new operator Hilton International Hotels. The Controlling Officer further informed the Committee that considering that Society House was on lease agreement and NAPSA had to pay concession fees to ZNBS. In that regard, to circumvent the impact of the negative NPVs and longer payback period payment of concession fees on a loss making investment, the Authority had acquired the asset from ZNBS at K 230 million and consequently concession fees had fallen away.

Committee's Observations and Recommendations

The Committee expresses concern that the acquisition of ZNBS by the Authority is merely an accounting solution which helps to improve the Authority's balance sheet and not a true reflection of progress and positive performance. The Committee directs that the Controlling Officer should submit a detailed report to the Auditor General with regard to the impact of the acquisition of the asset on the negative NPV and Pay Back Period in quantum terms. The Committee resolves to await a progress report on the matter.

11.8 Failure to Adjust Rental Income Levy Park Hotel (Stay Easy Hotel)

The Controlling Officer submitted that the observation by the Auditor General that NAPSA had not adjusted the rental charges from January to December 2018 resulting in a revenue loss of K 384,950 was true. She further submitted that the Authority had engaged the operator to enforce the clause for rental escalation for periods where waivers were not given. The matter was being escalated to Levy Business Park Board for implementation of the rental escalation clause for the years not covered.

Committee's Observations and Recommendations

The Committee is disappointed to note that management has to negotiate for payments in almost all its contracts with respect to its tenants. The Committee deems this to be failure to execute administrative roles on the part of management and the Committee directs the Controlling Officer to institute disciplinary action against such irresponsible failures. The Committee further condemns the reactive manner the Authority has exhibited in resolving outstanding issues as though the Authority does not have a qualified internal audit staff. The Committee further directs that disciplinary action should be instituted against the staff that failed to enforce the rental escalation clause. The Committee further directs the Controlling Officer to submit a report of the full accrued rent and provide a time frame within which Stay Easy will pay. The Committee will await a progress report on the matter.

11.8.1 Management of Staff Related Matters
(i) Irregular Payments Sitting Allowance K 2,381,249

The Controlling Officer informed the Committee that the cause of the query was that management submitted the evidence of authority to pay board allowances to staff to the Auditor General by email dated 1st March 2021. However it was noted that the auditor did not review the submission. She further submitted that the payments that were made to management staff who attended Board and Committee meetings were duly authorised from inception. In September 2001, the Board had determined that staff who attended Board or Committee meetings should be paid an allowance. This practice had been carried on over the years; however, the allowances paid to management were last revised and approved in January, 2015. The Board of Trustees subsequently resolved to discontinue the practice of paying allowances to management staff who attended Board and Committee meetings and no payments were being made to management staff. Documentary evidence is avaible for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documentary evidence should be submitted to the Auditor General for verification subject to which the matter should close.

(ii) Irregular Payments Cash in lieu of Christmas K 3,433,120

The Controlling Officer informed the Committee that the observation by the Auditor General that the Authority had no regulation which backed the payment of Cash in lieu of Christmas parties was correct. The Committee learnt that the Christmas Bonus was paid on a yearly basis in lieu of Christmas parties which the Authority initially held across the twenty stations at the end of each year. Christmas bonus was paid to staff as and when funds permitted and mostly depended on savings from staff emoluments within the approved budget for a respective year. The Controlling Officer further informed Committee that the matter would be regularised.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to submit evidence on which the Authority relied upon to pay Christmas Bonus, to the Auditor General, failure to which the payments will be rendered irregular and will have to be recovered. The Committee further directs the Controlling Officer to substantiate how the saving was done using staff emoluments. The Committee resolves to await an update on the matter.

(iii) Implementation of Cabinet Office Circular No.17 of 2016 on the Implementation of Austerity Measures Related to Procurement and Allocation of Motor

(a) Delay to Present the Circular to the Board

The Controlling Officer informed the Committee that the observation by the Auditor General that there was a delay to present Cabinet Circular No 17 of 2016 to the Board was correct. The Controlling Officer submitted that whilst it acknowledged that the Cabinet Circular No.17 of 2016 was issued in December 2016, there was no Board in place from January 2017. An interim Board was constituted and appointed to attend to urgent matters**.** The new Board was only appointed end of May 2017. The latter part of the year was used mainly for settling in of the new Board and included induction meetings in June 2017, Strategy Planning meetings sometime in October 2017 and Budgeting meetings for the following year. The Controlling Officer further submitted that the matter was subsequently closed. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that management did not consider presentation of the Circular to the new Board as priority considering that six months had elapsed since its issuance and the time that the Board was instituted. The Committee strongly urges the Controlling Officer to caution management against such laxity. The Committee resolves to close the matter.

(b) Failure to Implement the Circular

The Controlling Officer submitted that for all intents and purposes, management was keen on implementing the circular. However due to the contractual and associated legal challenges, management instead replaced the Personal to Holder Motor Vehicles (PTHMV) with Duty facilitating vehicles. This decision was informed by the following factors:

i. the Public Service Management Finance Company (PSMFC) rejected the Board approvals of 10th May 2018 that recommended partial implementation of the circular by abolishing the PTHMV for fixed term contract staff and new employees and retaining the conditions of service for permanent and pensionable staff in view of contractual obligations. The PSMFC in their letter dated 2nd August did not agree with the Board resolution and advised that the MOU between the Authority and PSMFC could only be signed on condition that management had completely abolished the PTHMV facility regardless of employee terms and conditions of service;

ii. as a result, the Board resolution could not be implemented as intended but instead the matter was re-tabled by the Board and a paper subsequently presented to the Secretary to Cabinet with proposals on replacing the PTHMV with the Duty facilitating vehicles and other measures that the Authority would undertake to reduce expenses in support of the austerity measures. A response was received from the Secretary to Cabinet through the Ministry of Labour taking note of the measures implemented and commending the Board therein; and

iii. the Duty facilitating vehicles were differ from the personal to holder motor vehicles in that:
    a. as opposed to the PTHMV's, the Duty facilitating vehicles were treated as Authority vehicles and given to entitled employees for purposes of duty facilitating;
    b. the PTHMV's were not being used for long distance business trips by the respective employees as they were for personal use, however, the Duty facilitating vehicles were used on both short and long-distance business trips;
    c. employees were not mandated to buy the Duty facilitating vehicles as it was with the PTHMV's, and a number of employees had since left these vehicles when they separated from the Authority, and they remained in the Pool or were assigned to other employees.

The Controlling Officer further submitted that the Duty facilitating motor vehicle arrangement was in place instead of personal to Holder Motor Vehicle arrangement.

Committee's Observations and Recommendations

The Committee observes that the Controlling Officer is denying the details of the query as cited by the Auditor General. In this regard, the Committee directs that the Controlling Officer to submit a detailed report to the Auditor General on how the Duty Facilitating Motor Vehicle has resulted in reduction on motor vehicles expenditure, subject to which the matter should close.

11.9 Asset Management

11.9.1 Failure to Dispose of Motor Vehicles Twenty seven Vehicles

The Controlling Officer submitted that following approval by the Secretary to Treasury dated 18th December 2019, to dispose of the vehicles through public auction, the Authority on 23rd July 2020 engaged RDF Auctioneers Limited through a tender process in line with the Public Procurement Act. The Auctioneer was engaged to assist the Authority auction the Twenty-seven motor vehicles through Public Auction and the Auction was scheduled to be held on 22nd August 2020. However, on 20th August 2020, the Office of the Director General received verbal instructions from the Permanent Secretary - Ministry of Labour and Social Security for the auction to be cancelled which was later confirmed in writing in a letter dated 7th September 2020. In view of the intervention from the Ministry of Labour and Social Security, management sought further guidance from the NAPSA Board through the Authority's Finance and Investments Committee (the "Committee"'). At a meeting held on 9th September 2021 the Committee considered the request through the Ministry of Labour & Social Security for the Authority to consider donating the vehicles earmarked for auction, to needy public institutions.

The Committee learnt that, after further discussions the Committee decided to defer the matter and guided management to resubmit a comprehensive paper after seeking clarity on the applicability of the provisions of the PFMA on the matter in issue and the provisions of the Authority's Asset Disposal Policy. This was in view of management's submission that although NAPSA was a public body, the Authority's Assets were not deemed as Public Assets within the provisions of the PFMA and that the Authority's Disposal Policy did not provide for donation to other public entities as a mode of asset disposal. Management's understanding was that NAPSA was a public body with a specific mandate, namely, to hold and manage the assets for Scheme members and it was on this basis that NAPSA assets were not deemed assets of the republic but assets of the members of the Scheme.

The Controlling Officer further informed the Committee that based on this guidance, an internal legal opinion dated 15th September 2020 was obtained by management, which opined that the assets of the Authority were not public assets as defined by the PFMA and that to proceed with disposal of the assets in a manner that was not prescribed by the Authority's Disposal Policy governing the disposal of its obsolete assets would be in breach of procedure on the part of the Authority. In addition to the internal legal opinion, management had also requested for a legal opinion from the Attorney General on the matter via letter dated 23rd September 2020. The Attorney General's opinion dated 13th October 2020 guided that the Authority's assets were not considered as Public Assets in the context of the *Public Finance Management Act No. 1 of 2018* as they were not owned or controlled by the republic. Consequently, the Attorney General guided that the Authority could use its own internal approved policies and procedures to dispose of the obsolete assets.

The legal opinion from the Attorney General was tabled by the Finance and Investments Committee meeting held on 11th November 2020. Subsequently, on 2nd March 2021, the Finance and Investments Committee further deliberated on the matter and guided management to specifically obtain further clarification from the Attorney General on the applicability of section 44 and 46 of the *Public Finance Management Act No 1 of 2018* to the Authority as a public body as stated in his opinion dated 13th October 2020. In this regard, a letter dated 11th March 2021 was sent to Attorney General requesting for a further opinion on the matter. On 7th June 2021 the Attorney General rendered a second legal opinion on the matter which was considered by the Board at a special meeting held on 9th June 2021. Management highlighted that the Attorney General's second opinion was at variance with the earlier opinion of 13th October 2020. The second opinion stated that the **Authority's assets** were public assets as the Government had a controlling shareholding in NAPSA and therefore the Authority assets could be disposed of through the modes prescribed for in the PFMA which included donation. Management further highlighted that the Attorney General did not provide any explanation regarding the departure from his earlier position or how the said position, particularly on the definition of public assets, could be reconciled with that stated in the opinion of 7th June 2021. Management recommended that further clarity be sought from the Attorney General.

The Board of Trustees took note of the two legal opinions rendered by the Attorney General which were contradictory. The Trustees decided to rely on the Attorney General's most recent legal opinion, dated 7th June 2021 and decided against engaging the Attorney General to clarify the legal opinion, in order to bring closure to the matter which had been outstanding for a long time.

Based on the foregoing the Board of Trustees resolved to donate the said vehicles to the Office of the President (Special Division). Management was guided to ensure all the appropriate administrative procedures were followed in line with the PFMA. Following the Board approval of 15th June, 2021, the Authority wrote to the Secretary to Treasury through a letter dated 11th June, 2021 to seek approval to donate the motor vehicles to the Office of the President.

In light of the above, on 23rd June 2021, a response to the letter was received from the Secretary to Treasury giving authority to donate the twenty-seven vehicles and the handover of the vehicles was done between 25th June and 2nd September 2021. In this regard, the cars were no longer in the custody of the Authority as they were donated. Documentary evidence was avaible for audit verification.

Committee's Observations and Recommendations

The Committee notes the response with concern and directs the Controlling Officer to report the matter to investigative agencies to establish to whom the vehicle were donated The Committee resolves to keep the matter open.

11.9.2 Poor Maintenance of Buildings

The Controlling Officer submitted that the observation by the Auditor General that some of the properties under the Authority were in a poor tenable state was true. The Controlling Officer further submitted as set out below.

(i) Provident House Lusaka Valued at K 46,770,000

The Committee learnt that the property was vested to NAPSA from ZNPF in 2000. Further, the building was old and required either full rehabilitation or disposal. The Controlling Officer also informed the Committee that works to rehabilitate the roof at Provident House Lusaka began on 21st November, 2018 and works were completed on 9th June 2019, whilst final completion was achieved on 8th June 2020 at the end of defect liability period.

The Controlling Officer further informed the Committee that the scope involved the full waterproofing of the roof structure as follows: demolition and hacking out of the old Waterproofing membranes and screeds; laying of a 40mm c/s screeds to falls on all roof slabs; supplying and laying new water proofing membranes; treatments of parapet walls with Dura flex waterproofing materials; repair of deteriorated down pipes rehabilitation of the rear ground open channel storm drain. The Controlling Officer also apprised the Committee that the property was undergoing a supplementary market study to validate the proposed change of use as per consultant recommendations. The Authority continued to undertake routine maintenance works on the property. The highlighted defects by the audit were capex in nature and required conclusion of the embarked supplementary market study to avoid duplication of costs.

Committee's Observations and Recommendations

The Committee directs that all documents in support of the submission should be submitted for verification. The Committee will await an update on the ongoing market study to validate the proposed change of use as per consultant recommendations to the Authority.

(ii) Kalulushi Housing School Valued at K 3,190,000

The Controlling Officer submitted that the school was built on unstable ground and hence affected its structural integrity. The school was once leased; however, the tenant was served with a vacation notice following Board approval to dispose off the property. At the time of reporting, the property was on offer for sale on as is basis.

Committee's Observations and Recommendations

The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee expresses concern as to why the school has to be sold off and recommends that the Authority should consider changing the use for the property. The Committee will await an update on the matter.

(iii) Chitanda House Valued at K 23, 155,000

The Controlling Officer submitted that the property was an asset vested to NAPSA from ZNPF in 2000. The building was old and required either full rehabilitation or disposal. The Controlling Officer further submitted that on 1st April 2020, the Authority engaged Messrs Oluka Limited to undertake the roof rehabilitation works at Chitanda House Kabwe. The following was a breakdown of the contract scope:

a. removal of old cracked Asbestos Roofing Sheets and replace with IBR/IT4 Roofing sheets, and the roofing sheets had been partially replaced,
b. removal of old waterproofing membranes and replaced with bituminous based DEBGUM waterproofing materials to prevent water ingress and leakages which caused peeling off of paint both internally and externally,
c. removal of broken glazing and replaced with new windowpanes,
d. removal of old asbestos cement waste pipes and replaced with new UPVC pipes,
e. removal of old plumbing and replacement of new fittings and fixtures e.g., toilet pans, Wash Hand Basins ,
f. treatment and waterproofing of parapet walls, desilting and unclogging of down pipes for roof drainage;

She further informed the Committee that the Chitanda House was earmarked for overhaul rehabilitation but this was deferred to a later stage awaiting a detailed market study survey to determine the market viability of the property in question. The overhaul rehabilitation of Chitanda was going to address inter alia, water supply to wet rooms, Installation of 2No Lifts in redundant Lift Wells, painting and decoration of both Internal and external walls, finishes, repair of floors, repair non closing windows, mending and repair of wall cracks, repair of electrical reticulation and generally repair to the entire building structure. The scope of works undertaken only focused on arresting rainwater ingress and leakages into the building especially during rainy season. This was an emergency repair as a result of damages posed by the leakages. The property was under supplementary market study to validate the consultant's recommendation for disposal or otherwise to guide decision making on required actions on the building. The Authority haD continued to undertake routine maintenance works on the property.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and expresses concern on the desire by the Authority to dispose off property when in fact the Authority has been building and purchasing new buildings. The Committee recommends that the Authority should reconsider its decision to sell the property in question. The Committee will await an update on the matter.

(iv) President Avenue/ Kingstone House Valued at K 9,520,000

The Controlling Officer submitted that property was an asset vested to NAPSA from ZNPF in 2000. The building was old and required either full rehabilitation, disposal and or demolition. The Authority on 23rd March 2020 engaged a team of consultants lead by Messrs Spectrum Architectural Consultants to undertake an assessment for the proposed rehabilitation, modernisation and refurbishment of Kingstone House Ndola. The scope of service equally involved the supervision of the works contract once awarded. The proposal for the redevelopment of Kingstone House entailed the complete demolition of the existing building and putting up of an entirely new building. A new building was proposed in light of the poor structural integrity of the existing building and the inability of the existing building to meet the proposed office requirements for the regional office. The Authority had set aside funds in the 2021 Budget to undertake the reconstruction of Kingstone House. The cost of reconstruction had proved prohibitive and the building would be considered for disposal.

Committee's Observations and Recommendations

The Committee agrees with the proposal to demolish the structure if the cost benefit analysis indicates that reconstruction is less beneficial in comparison to disposal. The Committee resolves to await an update on the matter.

(v) Matuka House Valued K 18,900,000

The property was an asset vested to NAPSA from ZNPF in 2000. The building was old and required either full rehabilitation or disposal. The Authority on 23rd March 2020 engaged a team of consultants lead by Messrs Spectrum Architectural Consultants to undertake an assessment for the proposed rehabilitation, modernisation and refurbishment of Provident Arcade Kitwe. The scope of service equally involved the supervision of the works contract once awarded. Following the submission of the final concept designs, the proposed redevelopment of Provident Arcade involved rehabilitation, overhaul of services, facelift and modernisation of the structure as outlined below-:

(i) Removal of existing external brick façade and window frames and replacing them with aluminium cladding and glazed curtain walls.
(ii) Redesign and modernisation of internal partition walls.
(iii) Removal of damaged ceiling, wall and floor finishers and replacing them with new and modern finishes such as porcelain tiles and aluminium grid and gypsum panel ceilings.
(iv) Construction of a new corrugated iron sheet roof over the existing concrete roof to address leakages (introduction of a false roof).
(v) Overhaul of plumbing and electrical services and fittings.
(vi) Construction and installation of new lifts.
(vii) Paving of exiting carpark and landscaping.

The Committee also learnt that the Authority awaited a report from the Zambia Environmental Management Agency, before proceeding with the sell hence the delay. The Controlling Officer submitted that the Procurement process to tender was underway

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the matter.

(vi) Monze Office Valued at K 2,465,000

The property was an asset vested to NAPSA from ZNPF in 2000. The building was old and required either full rehabilitation or disposal. The repairs had been done and the works were completed in February 2021 and the defects liability period ended on 4th October 2021. The Committee learnt that the matter was closed.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

(vii) Mosi -o-tunya building Valued at K 24,750,000

The property was an asset vested to NAPSA from ZNPF in 2000. The building was old and required either full rehabilitation or disposal. The Controlling Officer further submitted that cottages were occupied by NAPSA staff, who, paid rent via payroll. The names were: Matthew Kapesa, Noah Zulu and Elizabeth Nakamba. They were occupied in March 2021. During the time of review one house was vacant as the officer had been transferred to another station. The Controlling Officer further informed the Committee that all the cottages were occupied at the time of reporting. Furthermore, the repair of cottages was being scoped. Plumbing works in the main building had been tendered and once the contractors were secured the matters identified would be addressed.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

(viii) Mongu Provident House Valued at K 14,800,000

The Controlling Officer submitted that the Authority had set aside funds in the 2021 Budget to undertake refurbishment and re-modeling works at Provident House, Mongu. The tender was floated and awaited contractors to buy in the tender. Due to high cost of rehabilitation, the works would be done in phases. She further submitted that tender for repairs was underway.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

(ix) Provident House Umodzi Highway, Town centre, ChipataValued at K19,900,000

The Controlling Officer submitted that the Authority was undertaking minor works while the building was being considered for disposal. The building is being considered for sale on as is basis.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the matter.

12.0 National Savings and Credit Bank Ministry of Finance and National Planning

An examination of financial, accounting and other records for the period from 1st January, 2016 to 31st December, 2019, maintained at the Bank and inspection of selected branches revealed the following various irregularities to which the Controlling Officer responded as set out below.

12.1 Management – Loss of Funds on Wrongful Dismissal of Managing Director

The Controlling Officer submitted that the board made a decision to terminate the contract for the Managing Director, as a result of serious audit findings raised in the reports of the Auditor General and Bank of Zambia, as well as investigations that were underway by security wings. The Committee learnt that the former Managing Director took the matter to court, and the court adjudicated in favour of the plaintiff and awarded him twelve months' pay and damages, subject to assessment. The Committee further learnt that the bank's assessment of what was due was K2.5million while the plaintiffs claim was K4.5 million. As a result, the matter was subjected to negotiations and parties agreed a settlement amount of K2.4 million after netting off the Managing Director's indebtedness to the Bank.

The Committee also learnt that the matter had since been closed following execution of the consent judgment wherein the bank and the former Managing Director agreed to settle the matter out of court. In line with the consent judgment, the bank paid a total amount of K2,400,000 to the former Managing Director. In addition, the bank paid a K130,000 as costs to his lawyers and not K530,000.00, as legal costs as highlighted in the report of the Auditor General. The Committee heard that the balance of K400,000.00 outstanding to the former Managing Director following the consent settlement was paid at the same time as the K130,000.00 legal costs to the lawyers making a total payout amount of KK530,000.00(comprising of K400,000.00 final instalment of settlement to the former Managing Director and K130,000 legal costs to his lawyers). Controlling Officer further submitted that the bank did not fail to recover the outstanding loan from Mr. Chabu. At the time of settlement by way of Consent Judgment, it was agreed by the former Managing Director and the bank that the outstanding loan due to the bank from the former Managing Director would be written off. The said term was embodied in clause V. of the Consent Judgment wherein the bank had agreed to write off the amount K133,776.11 outstanding at the time and accordingly proceeded to so do.

The Controlling Officer further informed the Committee that to ensure that the query did not recur, the Bank implemented the following measure:

(i) the bank had updated and improved its disciplinary and grievances code and were now aligned with the law and the performance management system for all staff including the Managing Director had been enhanced. The bank was strictly observing the requirement of the *Employment Code Act No. 3 of 2019* of ensuring that employees charged with misconduct or under performance under the Grievance and Disciplinary Code were subjected to a right to be heard in line with the principles of natural justice;
(ii) the bank had since implemented a performance management system which required all employees to among other things:
   a. To agree performance objectives at the beginning of each year with clear Key Performance Indicators and timelines;
   b. Conduct performance reviews and discussions at least two times a year at half year and at the end of the year;
   c. Performance ratings were subjected to moderation by executive management;
   d. Conduct feedback sessions with employees by line managers;
   e. Had provided for performance improvement process.
(iii) Further, the Bank had reviewed and enhanced its Disciplinary and Grievance procedure to align it to the requirement of the employment law.
(iv) The disciplinary and grievance procedure provided for an erring employee to be:
   a. For a line manager to raise a charge sheet, giving an employee the opportunity to exculpate he/herself;
   b. For a disciplinary committee to be set up to hear the case at which the line manager presented to the committee;
   c. The erring employee was given an opportunity to respond to charges and was accompanied by a witness;

d. The committee could either uphold the charges and sanction the erring employee according to the sanctions in the Disciplinary and Grievance code or find the employee with no case to answer;

e. Where an employee was found in the wrong and was sanctioned, they were given an opportunity to appear to the Managing Director, who set up a committee to hear the appeal chaired by the him/her. The appeals committee decision was the final step in the process.

(v) In the period from December 2017 to December 2020, there had been fifteen members of staff whose contract of employment had been terminated in adherence to the revised Disciplinary and Grievance code. There had been no litigation as a result of the terminations.

The Controlling Officer informed the Committee that documentary evidence was avaible for audit verification and that the observation by the Auditor General that the terminal benefits payable to the Managing Diretcor at the time of dismissal was K1,245,346 against amounts totaling K1,480,552 which had been paid to him. Consequently, he was owing an amount of K235,205 which had not been recovered as at 31st December 2020.

Committee's Observations and Recommendations

The Committee is concerned with the manner in which the Bank handled the dismissal of the former managing director. The Committee observes with concern that the Board undertook a decision with blatant disregard of the human resources grievance procedure, which in turn led to more funds being paid out in comparison to the amount that was originally due to him. The Committee further notes that the Bank wrote off what the former managing director owed through a consent judgment, the Committee is disappointed to note that the Board failed to offer guidance on the matter. The Committee is of the considered view that there was collusion between the board and the former managing director, as it's evident that the managing director was quick to go to the court and was later paid handsomely. The Committee strongly recommends that the Controlling Officer should enhance supervision of the bank. The Committee further directs that the Controlling Officer should ensure that competent people are employed by the Board and also directs that all documents in support of the submission should be submitted to the Auditor General for verification, subject to which the matter should be closed.

12.2 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that the bank budgeted to generate income of K927,762,630 against which amounts totalling K407,435,479 were generated resulting in a negative variance of K520,327,151 was true. The Controlling Officer further submitted that the bank's capacity to generate income to meet the budget was strained by a number of deficiencies in its operations including the factors set out below.

i. Stressed liquidity position as a result of inability to raise sufficient deposits to cover customer settlements as they fell due. This coupled with the lack of offering certain products and services led to a largely number of customers moving their accounts to other Banks. The Bank was not in a position to offer products and services such as:

a. Cheque books;
b. Was not a participant on the electronic clearing house;
c. Could not process DDAC and RTGS real time payments;
d. Limited ATM access as the Bank was not EMV compliant and was not on the clearing house, therefore could not participate in inter-bank settlements;
e. Lack of digital channels to provide convenience to customers;
f. Processing of customer transactions through third party banks.

The liquidity stress was exacerbated by high non-performing loans which deprived the Bank of liquidity from loan installment payments.

ii. The stressed liquidity further led to the Bank's inability to invest in earning assets such as Government securities and loans and advances resulting in stunted revenue growth, and consequently failing to meet budget;
iii. The failure to settle customer and other statutory obligations created reputational risk and negative perception leading to difficulties mobilising deposits and loss of business;
iv. The failure to meet the revenue budget was also impacted by a capital deficit arising from sustained year of loss making which eroded the capital base. However, the Government took a decision to re-capitalised the Bank as of July, 2020 which had resulted in a significant change in the intervening period where total revenue had grown from K130,282,813 in 2016 to K239,272,000 in 2020. This showed that the Bank was on the right trajectory.

The Controlling Officer further informed the Committee that the performance of the Bank had continued to improve post re-capitalisation in July 2020, albeit still loss making. However, the loss position had been reduced by about 85 per cent year on year (compared to 30th September, 2020). Below were some key performance indicators:

a) interest income has grown 146 per cent year on year;
b) non-interest income had grown 23 per cent;
c) interest income recorded a reduction from 65 per cent adverse variance as at 31st December 2019 to 15 per cent adverse variance as at 30th September 2021
d) non-interest income equally saw a reduction from 41 per cent adverse variance as at 31st December 2019 down to 4 per cent favourable variance as at 30th September 2021.

The Committee also learnt that a review of the bank's performance of income against the budget as at 30th September 2021 showed a reduced variance. The growth experienced had been underpinned by a growth in the bank's earning assets as a result of the improved liquidity from the capital injection. The liquidity ratio at its lowest point was -4.4 per cent in December 2019 compared to 97.9 per cent in December 2020 and 77 per cent as at September 2021.

Some of the key drivers in revenue growth included but not limited to the following:

a) investments in Government securities which grew from K17.7 million in 2018 to K663.5 million as of third quarter of 2021. This represented a growth of 3,6425 per cent;

b) customer loans and advances had grown from K120.2 million in 2018 to K1.0 billion as of third quarter of 2021, representing a 742 per cent growth

Committee's Observations and Recommendations

The Committee is perturbed to note that the fortunes of the Bank only improved after recapitalisation by the Government in July 2020. The Committee directs the Controlling Officer to enhance supervision of the bank and to ensure that the bank does not depend on continual Government's intervention but to formulate sustainable and realistic strategic plans to ensure, that the bank is able to execute its mandate effectively and efficiently. The Committee further directs the Controlling Officer to submit a road map of how the identified deficiencies will be addressed and to provide a time framw. The Committee resolves to await an update on the matter.

12.3 Financial Analysis

12.3.1 Failure to prepare Financial Statements

The Controlling Officer submitted that it was regrettable that the bank failed to prepare audited financial statements for the Financial Years ended 31st December 2018 and 2019. He further informed the Committee that bank was audited by Grant Thornton for a period of eight years starting with financial year 2010. As part of industry best practice, audit services were tendered from time to time and in November 2018, the bank put out a tender for audit services. After the full tender process, the bank awarded Deloitte and Touché who had the most competitive bid. In March 2019, Deloitte and Touché accepted the offer subject to finalising their internal Deloitte and Touché Group client engagement clearance process, however, in June 2019, Deloitte Group declined to take up the engagement because of a change in their risk appetite to public sector institutions. He further informed the Committee that this led to the Bank going back to tender for the service which was concluded in October, 2019 and another auditing firm was awarded the tender. In that regard, the audit work commenced in December 2019 and as part of their client on boarding requirements the auditor had to review the audit of the previous year to attest the opening balances. This took up a significant amount of time and therefore, audit on 2018 was commenced in March 2020. The Committee learnt that the external audit was concluded and both 2018 and 2019 audited financial statements had been presented to the Board and approved. The audit for the financial year 2020 was underway and was expected to be concluded by close of December 2021.

The Controlling Officer further submitted that the Government had formulated a policy to track the performance of parastatals and they were expectant of a positive performance outcome. He further informed the Committee that the policy would soon be translated into a law and those who would not perform to the expected standard both management and their respective boards would be answerable in that vein. Documentary evidence was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that all documentary evidence is submitted to the Auditor General for verification. The Committee resolves to await a progress report on the formulation of the law that will speak to the performance of parastatals.

12.3.2 Financial Performance Statement of Comprehensive Income

The Controlling Officer submitted that the increase in the bank's losses by 140 per cent from 2016 to 2017 (K 87,441, 197 to 209,937,087 respectively) was largely on account of a reduction in operating income compounded by a significant increase in personnel and administration costs. He further submitted that the reduction in operating income was attributed to an increase in loans that were classified as non-performing, leading to suspending of interest. This was further impacted by an increase in interest expense on interest paid for a bank overdraft taken out to improve liquidity of the Bank.

The Committee also learnt that the increase in personnel costs was driven by a provision of K32 million related to employee benefits after the bank undertook an actuarial valuation of its defined benefit scheme. The accounting standard (IAS 19 – Employee Benefits) required that cost of providing employee benefits should be recognised in the period in which the benefit was earned by the employee, rather than when it was paid or payable, and outlined how each category of employee benefits were measured, providing detailed guidance in particular about post-employment benefits. The increase in administrative costs was largely on account of the Bank raising provisions of K109 million in 2017 for balances that could not be ascertained. During the audit of the financial year 2017, processes of balance sheet substantiation aimed at ascertaining the makeup of suspense account balances and testing their recoverability was instituted. This resulted in a number of balances in suspense accounts being identified as at risk of non-recovery because of the period that they had remained outstanding going back to 2008.

The Controlling Officer further informed the Committee that the Bank had been implementing strategies under a turnaround plan and the performance had shown significant sign of a turnaround. He further submitted that as at 30th September, 2021, the Bank's performance was as shown below.

a) The loss position had reduced by about 85 per cent year on year (compared to 2017, the loss position reduced from K209 million loss to K24 million loss as at 30th September 2021 (K185 million reduction).
b) Personnel expenses had remained flat at the same levels and cost containment measures had been put in place.
c) Operating expenses had reduced from K166 million in 2017 to K74 million for the nine month period in 2021. The reduction was largely driven by improvements in internal control environment that had led to significant reduction in operational losses. Operating income had grown from K109 in 2017 to K183 million in September, 2021 (68 per cent growth)

The Committee also learnt that the Bank had since rolled out new products such as ewallet, MasterCard, introduced Real time transfer of funds (RTGS), cleaned their bad reputation and had signed up new business.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission with concern. While appreciating the requirements of the accounting standard (IAS 19 – Employee Benefits), the Committee finds it unacceptable that as opposed to championing activities that would improve the operations of the bank, management was geared to pursue a correct objective at a wrong time, consequently wasting a lot of time which resulted in poor performance. The Committee appreciates the fact that employee welfare is prime; however, the Committee is of the considered view that, decisions which assure the continued operations of the Bank as a going concern should take eminence. In that regard, the Committee directs the Controlling Officer to caution management from taking a casual approach in the management of the Bank. The Committee further directs that all documentary evidence should be submitted to the Auditor General for verification. The Committee resolves to await an update on the continued implementation of strategies to improve the performance of the Bank.

12.3.3 Financial Position Statement of Financial Position
(i) Increase in liabilities

The Controlling Officer submitted that in the period under review, the bank embarked on a process to substantiate all balances on the balance sheet and this resulted in the identification of legacy balances that could not be validated and required further investigation. However, during the audit of the financial year 2017, the bank raised provisions for the balances classified as at risk. The provisions led to the increase in other liabilities. As of December 2020, the provisions were reversed against identified write off after external auditors undertook a detailed review and cleared the items. He further submitted that the increase noted in employee benefits was not a loss but rather a liability to recognise the value of the defined benefit scheme (DB) maintained by the bank. At the end of every financial year, the bank undertook an actuarial valuation of the DB using experts that take into account various inputs and projections. This resulted in the value of the DB which had to be recognised in the bank's books.

The Controlling Officer further submitted that the bank's liabilities continued on a healthy growth trajectory which had seen generation of deposits that had resulted in growth in earning assets. The Committee learnt that as at 30th September 2021, the bank's total liabilities stood at K2.2 billion out of which other liabilities on account for 6 per cent of total liabilities and was mainly suspended interest on non-performing loans, staff defined benefit scheme accruals and other employment related provisions.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response, the Committee expresses concern that the Controlling Officer failed to substantiate the risk balances. The Committee further expresses concern that the bank has continued to record non-performing loans which have continued to increase its liabilities and reduce its operating income. In this regard, the Committee recommends that the Controlling Officer should submit a report to the Auditor General with respect to the risk balances and further, to outline the strategies that have been earmarked to resolve the challenge of non-performing loans. The Committee resolves to await a progress report on the matter.

(ii) Weakness in managing equity

The Controlling Officer submitted that the observation by the Auditor General that during the period under review, NATSAVE had its equity depleted by K209,937,807 from positive K25,507,151 in 2016 to negative K184,429,936 in 2017was correct and regrettable. The Controlling Officer further submitted that the Bank's Equity was depleted as a result of declining performance after experiencing stressed liquidity, lack of capital, and increase in non-performing loans and compounded by increasing operating expense leading to a loss. The loss position in 2017 was further compounded by provisions raised for balances that were not supported and were at risk of non-recovery.

The Committee learnt that as of July 2020, the shareholders re-capitalised the Bank, thereby restoring the capital position and that post re-capitalisation in July 2021, the Bank met the regulatory capital in compliance with the Banking and Financial Services Act (BSFA). However, due to continued loss position, the capital had been depleted through negative retained earnings. The Controlling Officer also informed the Committee that the Bank was in discussion with the Central Bank and Ministry of Finance to resolve the breach.

Committee's Observations and Recommendation

The Committee is appalled to note that the bank depleted its equity which had been restored to its expected standard following Government's re-capitalisation of the Bank in July, 2021. The Committee finds it unacceptable that the bank has continued to show lack of capacity to efficiently operate as a going concern. The Committee is of the considered view that the Controlling Officer must heighten supervision of the bank and ensure that the Board is taking the right measures to ensure that the right people with required skills set and capacity are employed to manage the Bank. The Committee directs that the Controlling Officer should ensure that management submits a report on the various strategies that have been earmarked to improve the bank's liquidity. The Committee resolves to await a progress report on the matter and further resolves to await an update on the discussions that are being held with regard to breach of the required retained earnings.

(iii) Inadequate liquidity

The Controlling Officer submitted that the observation by the Auditor General that the bank's liquidity ratio was less than the 15 per cent ratio prescribed by the Bank of Zambia, during the financial year 2017. The Controlling Officer further submitted that the stressed liquidity position was as a result of inability to raise sufficient deposits to cover customer settlements as they fell due. This coupled with the lack of offering certain products and services led to a largely number of customers moving their accounts to other banks. The bank was not in a position to offer products and services such as:

a. cheque books;

b. was not a participant on the electronic clearing house;
c. could not process DDAC and RTGS real time payments;
d. limited ATM access as the Bank was not EMV compliant and was not on the clearing house, therefore could not participate in inter-bank settlements;
e. lack of digital channels to provide convenience to customers;
f. processing of customer transactions through third party banks.

The Controlling Officer further submitted that the liquidity stress was exacerbated by high non-performing loans which deprived the bank of liquidity from loan installment payments. He further informed the Committee that the stressed liquidity further led to the bank's inability to invest in earning assets such as Government securities, loans and advances resulting in stunted revenue growth, and consequently failing to meet budget. The failure to settle customer and other statutory obligations created reputational risk and negative perception leading to difficulties in mobilising deposits and loss of business. The Committee also learnt that the failure to meet the revenue budget was also impacted by a capital deficit arising from sustained year of loss making which eroded the capital base. However, the Government took a decision to re-capitalised the Bank as of July, 2020 which resulted in a significant change in the liquidity ratio from 14 per cent in 2016 to 83 per cent in 2020. The liquidity ratio at its lowest point was -4.4 per cent in December 2019 compared to 97.9 per cent in December, 2020 and 77 per cent as at September 2021.

Committee's Observations and Recommendations

The Committee reiterates its recommendation for the Controlling Officer to heighten the supervision of the bank and ensure that the Board takes the right measures to ensure that the right people with required skills are employed to manage the Bank. The Committee resolves to await a progress report on the matter and further resolves to await for an update on the improvement of the bank's operations.

12.4 Operational Matter

12.4.1 Payment of Penalties for Non-Compliance with Regulatory Requirements – Wasteful Expenditure

The Controlling Officer submitted that the observation by the Auditor General that NATSAVE paid penalties in amounts totaling K98,500 to the BOZ for late submission of Prudential Returns was correct and regrettable. The Controlling Officer informed the Committee that the Bank experienced some system difficulties at the time that it was migrating its core banking system which led to late submission of some return to the regulators resulting in penalties.

The Controlling Officer further submitted that management had put in place measures that allowed for tracking of submission of returns through diarising and implementing a maker, checker system. There had not been a repeat of incurring penalties since 2017. Further, management had enhanced the review process for all returns to regulators to avoid errors in reporting. The bank had a fully functioning compliance department tasked to prevent such breaches from re-occurring. Further monthly risk and compliance meetings were held in which all compliance breaches were tracked and resolutions followed through.

Committee's Observations and Recommendations

The Committee notes that management is reactive as opposed to being proactive. The Committee notes that management has put in place measures to ensure that the query does not recur, the Committee is disappointed that management waited for the Auditor General to raise a red flag for it to put in place a system to remind it of all its obligations in order to avoid accruing penalties. In this regard, the Committee recommends that the Controlling Officer should enhance supervision of the Bank. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

12.4.2 Management of Loans Failure to recover loans K794,532

The Controlling Officer submitted that management had continued with its recovery efforts and to this effect the bank had issued final demand to the customers. The next step if the customers did not settle the arrears was re-possession of the tractors. Management had instituted a review of the product to align it to the customer needs taking into account their seasonal cashflows. There was to put in place off-taker agreements between ZNFU and other off-takers to guarantee and/or assign receivables to the bank for all supplies by the farmers. This structure would lead to better performance of the loan book.

The Committee learnt that as part of the bank's strategy for 2019-2021 the need for credit transformation was identified and work to transform the end to end credit had commenced supported by the bank's strategic partners such as the SBFI of Germany. This was aimed at enhancing capacity for credit origination and evaluation, credit administration and collections and recoveries. This had led to notable improvement in the loan book thus far. The Controlling Officer also informed the Committee that three tractors in question were subjected to repossession, and had since been recovered and the process of their disposal had commenced: Documentary evidence is avaible for verification.

ITEM	NAME OF DEFAULTING CUSTOMER	LOCATION OF TRACTOR	CONDITION OF THE TRACTOR
1	Shikalawo Matthias	MUMBWA	RUNNER
2	Sibanyati Herald	MKUSHI	RUNNER
3	Care Mukwempa	MKUSHI	RUNNER

Committee's Observations and Recommendations

The Committee is disappointed that management has a reactive approach to resolving issues that affect the execution of its mandate. The Committee further notes that it took an inordinate time for the bank to institute enforcement action against the defaulting customers. In that regard the Committee recommends that disciplinary action should be instituted against officers who delayed to execute their duties in a timely manner. The Committee further directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee resolves to await an update on the disposal of the properties in question.

12.5 Procurement of Goods and Services
12.5.1 Construction of New NATSAVE Bank Branch in Choma District
(i) Overpayment to Contractor

The Controlling Officer submitted that the observation by the Auditor General that the contractor had been paid amounts totalling K3,931,967 resulting in an overpayment of K50,218 was correct. He further informed the Committee that the cost was as a result of works that were identified and approved during site meetings and were not part of the earlier scope of works. Management had since put in place measures that would ensure full adherence to the requirements of the ZPPA Act such as those set out below.

a. All members of the Management Procurement Committee, staff involved in tender evaluation and Procurement Department staff had undergone training conducted by ZPPA.
b. ZPPA conducted an inspection of the institution and no repeat findings were recorded.
c. Reporting lines for the Procurement Manager had been re-aligned to report to the Chief Executive Officer functionary and to the Head Human Capital and Administration for administrative duties. This was to enhance oversight on all procurements.
d. Management invited the Anti-Corruption Commission to conduct training which covered procurement.
e. Management had set up an Integrity Committee.

The Controlling Officer further submitted that the Management Procurement Committee continued to have independent representation from an external member recommended by the ZPPA to ensure provision of guidance for its deliberations; and the variation of the contract was supported by clause 11 of the contract that empowered the contractor to vary the terms of the contract based on the material changes to costs and other factors that could affect the construction process. Documentary evidence was availed for verification.

Committee's Observations and Recommendations

The Committee is concerned that the bank had formulated a contract that overlooked the provisions of the ZPPA Act with respect to seeking authority to obtain approvals before variations or change of orders. In that regard, the Committee is of the considered view that additional works could have been affected, resulting in the increase of the contract sum. to the benefit of the contractor, which the Committee finds unacceptable. The Committee finds this unacceptable and recommends that the Controlling Officer should institute disciplinary action on all the officers and their substantive supervisors who abrogated the provisions of the ZPPA Act. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the matter.

(ii) Failure to Fulfill Contract Obligations

(a) Unexecuted works

The Controlling Officer submitted that the cost was as a result of works that were identified and approved during site meetings and were not part of the earlier scope of works. Management had since put in place measures that would ensure full adherence to the requirements of the ZPPA Act as set out below.

a. All members of the MPC, staff involved in tender evaluation and Procurement Department staff had undergone training conducted by ZPPA.
b. ZPPA conducted an inspection of the institution and no repeat findings were recorded.
c. Reporting lines for the Procurement Manager has been re-aligned to report the Chief Executive Officer functionary and to the Head Human Capital and Administration for administrative duties. This was to enhance oversight on all procurements.
d. Management invited the Anti-Corruption Commission to conduct training which covered procurement.
e. Management had set up an Integrity Committee.

Committee's Observations and Recommendations

The Committee observes with concern that an increase in the scope of works following the site meetings is a sign that the bank does not have plans, with regard to infrastructure projects. The Committee finds the approach to increase contract costs due to poor planning unacceptable. In this regard, the Committee directs that a proper unit should be put in place to ensure that all infrastructure projects are professionally planned and carried out. The Committee further reiterates its recommendation that the Controlling Officer should institute disciplinary action on all the officers and their substantive supervisors who abrogated the provisions of the ZPPA Act. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the matter.

(b) Supply of a Water Tank with wrong specification

The Controlling Officer submitted that the cost was as a result of works that were identified and approved during site meetings and were not part of the earlier scope of works. Management had since put in place interventions that would ensure full adherence to the requirements of the ZPPA Act. Management had also strengthened its governance oversight i.e. contract management and that every contract had an appointed contract manager to superintend its operation

Committee's Observations and Recommendations

The Committee notes the response and finds it unacceptable that there was poor contract management due to poor planning. The Committee reiterates its recommendation for the Controlling Officer to institute disciplinary action on all the officers and their substantive supervisors who abrogated the provisions of the ZPPA Act. The Committee directs that all documentary evidence should be submitted to the Auditor General for verification. The Committee resolves to await a progress report on the matter.

(c) Failure to supply, install and fix a 10,000 litres Water Tank

The Controlling Officer acknowledged the observation by the Auditor General that although the contact provided for the supply and installation of a 10,000 litres water tank at a cost of K10,819, the tank had not been supplied. He further submitted that the Project Manager approved the installation of a 3, 000 liters tank of water as 5 000 liter tanks were not available in Choma at the time. The cost difference was minimal as compared to purchasing and transporting the 5000 liters tank from Lusaka which would cost more than what was provided for in BOQ. Furthermore, the procurement procedures had since been strengthened to ensure that all contractual variations were subjected to Management Procurement Committee approval.

Committee's Observations and Recommendations

The Committee notes the response and finds it unacceptable that there was poor contract management due to poor planning. The Committee reiterates its recommendation for the Controlling Officer to institute disciplinary action on all the officers and their substantive supervisors who abrogated the provisions of the ZPPA Act and failed to execute their duties diligently.

12.5.2 Construction of New NATSAVE Bank Branch in Chama District – Overpayment to the Contractor K70,725

The Controlling Officer submitted that the cost was as a result of works that were identified and approved during site meetings and were not part of the earlier scope of works. Management reiterated its action to ensure that management adhered to the requirements of the ZPPA Act.

Committee's Observations and Recommendations

The Committee notes the response and reiterates its recommendation for the Controlling Officer to institute disciplinary action on all the officers and their substantive supervisors who abrogated the provisions of the ZPPA Act and failed to execute their duties diligently. The Committee directs that all documents in support of the submission should be submitted to the Auditor General. The Committee resolves to await an update on the matter.

12.6 Management of Assets – Failure to Secure Title Deeds

The Controlling Officer submitted that the observation by the Auditor General that the Bank did not secure title deeds for parcels of land on which twenty two properties valued at K60,845,035 were located as at 30th November 2020 was correct. He further submitted that the Bank had a total of twenty nine properties, of these seven were on title and management was in the process of processing title for all its properties with twenty two lodged with Ministry of Lands and Natural Resources, and these were at various stage of the process as shown in the Table below.

ITEM No.	PROPERTY	TITLE DEED STATUS and COMMENTS
1.	Kalabo	Leases submitted to Ministry of Lands for title processing
2.	Nchelenge	Leases submitted to Ministry of Lands for title processing
3.	Chama	Leases submitted to Ministry of Lands for title processing
4.	Chinsali	Documents submitted to Ministry of Lands to process lease
5.	Rufunsa	Leases submitted to Ministry of Lands for title processing
6.	Chongwe	Documents submitted to Ministry of Lands to process lease
7.	Mporokoso	Documents submitted to Ministry of Lands to process lease
8.	Mpongwe	Invitation to treat stage
9.	Shangombo	Land offer stage
10.	Choma	Property has been surveyed, awaiting survey diagrams
11.	Kaputa	Property has been surveyed, awaiting survey diagrams
12.	Mwense	Survey diagrams prepared, pending letter from Mwense Town Council for submission to Ministry of Lands
13.	Lumwana	Offer fees paid, awaiting offer letter from Ministry of Lands
14.	Kazungula	Awaiting Documents from Kazungula Town Council
15.	Kazungula residential plot 1	Awaiting Documents from Kazungula Town Council
16.	Kazungula residential plot 2	Awaiting Documents from Kazungula Town Council
17.	Lufwanyama	Awaiting Full Council Minutes from Lufwanyama Council to be submitted to Ministry of Lands
18.	Mpika	Awaiting documentation after Full Council Meeting from Mpika Town Council to be submitted to Ministry of Lands
19.	Chavuma	Property has been surveyed, awaiting survey diagrams
20.	Kasama	Awaiting documentation from Kasama Town Council
21.	Chilubi	Awaiting documentation after Full Council Meeting from Chilubi Town Council to be submitted to Ministry of Lands
22.	Kasempa	Payment for numbering paid to Kasempa Town Council

Committee's Observations and Recommendations

The Committee expresses concern that in the absence of title deeds the Bank is unable to safe guard its properties. The Committee directs that the Controlling Officer should submit a plan outlining the strategy that the Bank will use to ensure that the exercise to acquire title deeds is completed expeditiously in adherence to the Section 41 (4) of the *Public Finance Management Act No. 1 of 2018.*

13.0 Occupational Health and Safety Institute Ministry of Labour and Social Security

An examination of financial and other records maintained at the Institute for the Financial Year ended 31st December, 2019 revealed various irregularities to which the Controlling Officer responded as set out below.

13.1 Budget and Income

The Controlling Officer informed the Committee that the observation by the Auditor General that the Institute had a budget of K 36,963,056 against which income in amounts totaling K 34,948,455 was correct. She further submitted that the query arose because there was a budget deficit of K 2,013,601 due to underfunding. She further submitted that in the period 2018 to 2019, there was a major decrease in clientele, consisting of mining companies on the copperbelt, who were the main customers for the Occupational Health and Safety Institute (OHSI). The decrease was occasioned when mine contractors' had there contracts terminated by the mining companies resulting in a decrease in revenue for OHSI and negative impact on the execution of the Institute's activities. To resolve the query, the Institute was updating its customer database by including employees from other sectors such agriculture and construction industries. Furthermore, the Institute had also intensified compliance inspections in the mines in collaboration with the Mine Safety Department under the Ministry of Mines and Mineral Development and the Ministry of Labour and Social Security.

The Committee also learnt that the Institute was pursing the issuance of the Statutory Instrument to make Occupational Health and Safety services mandatory in none mining industries as well as to enhance enforcement of the law. The Committee further learnt that the Institute had been moved from the Ministry of Health and was under the ambit of the Ministry of Labour and Social Security where it was expected to internally generate 85 per cent of income for its operations.

Committee's Observations and Recommendations

The Committee observes with concern that underfunding of the Institute, affected the implementation of planned programmes. The Committee notes the response from the Controlling Officer and resolves to await an update on the issuance of the Statutory Instrument that will enhance enforcement of the law and inclusion of none mining sectors which operate in hazardous environment, which will in turn help improve income generation.

13.2 Operational Matters Failure to Utilise XRD Machines and Missing Laptop Computers K 3,451,806 and K 30,200

The Controlling Officer submitted that the two XRD machines were procured by the procurement committee under the Ministry of Health, with funds from the World Bank under the Tuberculosis Health System Support (SATBHSS) project. The machines were for the Occupational Health and Safety Institute and the Mines Safety Department (MSD) under the Ministry of Mines and Minerals Development. The Committee learnt that the XRD machine was extremely highly specialised and sensitive industrial hygiene equipment for dust characterisation in the industries that need to be place in specially designed dust laboratory.

The Controlling Officer also informed the Committee that the Institute only received one machine valued at K 1,625,903 and did not receive both machines even though the delivery note issued by the Ministry of Health bore OHSI's name. The other machine was received by MSD in Kitwe. The Controlling Officer further apprised the Committee that the machine received by OHSI had not been installed because the building to house the XRD machine was incomplete. She further submitted that the contractor who was supposed to refurbish and build the industrial hygiene laboratory, Wang Kong Enterprises Limited was engaged by the Ministry of Health and supervised by the Ministry of Works and Supply in collaboration with the Ministry Of Heath infrastructure department. In that regard, the Institute had no control over the contracts and only provided the designs for the building. The Committee learnt that the contractor had abandoned the works in October, 2020 and consequently the Ministry of Woks and Supply recommend that the contract should be terminated. The Controlling Officer also informed the Committee that the Institute wrote to the Ministry of Health to express their displeasure on the delay to complete the building and feedback was being awaited.

The Committee also learnt that with regard the XRD machine that was received by MSD in Kitwe, the machine had not been installed as the building had not been renovated.

In light of the foregoing, the Institute had proposed that in future, external funded projects should allow project beneficiaries to be part of the project team and if possible to decentralise the procurement of equipment and services to provincial level to enhance efficiency.

With regard to the two laptops, the Controlling Officer submitted that the stores issue vouchers had been misplaced at the time of the audit. She further submitted that one of the missing vouchers had been traced and the beneficiary identified. The traced laptop was avaible for verification. However, with regard the missing laptop, the office in- charge of the stores section had been charged for negligence and the cost of the laptop recovered in full. She further assured the Committee that going forward, the Institute would ensure that records on issuance of procured equipment and goods to users will be kept securely to avoid misplacement and that any members of staff exhibiting negligence to duty would be disciplined according to the disciplinary code of conduct.

Committee's Observations and Recommendations

The Committee observes with grave concern the propensity of government entities to procure equipment without ensuring that the required infrastructure is put in place. The Committee condemns this wasteful expenditure because the equipment could become obsolete due to non use. In this regard, the Committee recommends that the Secretary to the Treasury should ensure that disciplinary action is meted out on all officers domiciled at the Ministry of Health who failed to execute their duties and their respective supervisors. In agreeing with the proposal by the Institute with regard to future funding, the Committee urges the Controlling Officer to ensure that capacity is enhanced at the Institute and that measures are put in place to avoid recurrence of the query. With regard to the misplaced laptop, the Committee is elated to note that disciplinary action was taken against the erring officer and urges the Controlling Officer to ensure that the Institute strictly adheres to the provisions of the financial regulations. The Committee resolves to await an update on the disciplinary action and installation of the XRD machines.

13.3 Accounting Irregularities Lack of Receivables Management Policy

The Controlling Officer submitted that it was regrettable that at the time of the audit, the credit management policy which should have guided the process of approving credit facilities, duration of credit and debt writ off was not available as the document was in draft form awaiting Board approval. The Controlling Officer further submitted that it was regrettable that bad debts amounting to K 138,615 had been written off. She further submitted that the credit management policy which was part of the accounting policies and procedure manual had since been approved. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee cautions against the failure to ensure that the proper accounting documents were put in place. Furthermore, the Committee finds it unacceptable that an entity with funding challenges had the luxury to write off bad debts without any policy document to guide the process. In that regard, the Committee deems the writing off of the bad debts questionable and directs that disciplinary action should be meted out on all the officers responsible for this anomaly. In this regard, the Committee urges the Controlling Officer to submit all documents in support of the submission to the Auditor General for verification. The Committee will await an update on the matter.

13.4 Staff Related Matters

13.4.1 Failure to Fill Vacant Positions

The Controlling Officer informed the Committee that the observation by the Auditor General that the Institute had a staff establishment of 137 positions out of which eight four were filled leaving vacancies of fifty three as shown in Table 6 below was correct.

Table 6: Staff Establishment

No	Department	Establishment	Filled	Vacant
1	Management	7	6	1
2	Medical	53	24	29
3	Human Resources	69	48	21
4	Accounts	6	6	0
5	Audit	2	0	2
	TOTAL	137	84	53

The Controlling Officer further submitted that the Institute failed to fill the vacant positions due to financial constraints. The Committee also learnt that the positions of Chief Radiographer and Chief Laboratory Technologist had been filled and documentary evidence was available for verification. The Controlling Officer further informed the Committee that the Institute had been recruiting staff to fill key positions and the total vacant positions had reduced from fifty three to thirty five. The Controlling Officer assured the Committee that the Institute would endeavour to fill vacant positions whenever financial resources were allowed.

Committee's Observations and Recommendations

While noting that the Institute failed to fill up the vacant positions due to financial constraints, the Committee expresses concern with regard to how the Institute managed to execute its mandate without a full staff compliment. In this regard, the Committee directs the Controlling Officer to ensure that management undertakes a review of the staff establishment to determine whether the vacant positions are still required. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await an update on the matter.

13.4.2 Irregular Self- Liquidating Motor Vehicle Loan K1,477,665

The Controlling Officer submitted that it was regrettable that the Institute acted contrarily to Cabinet Office Circular No.17 of 2016 which abolished procurement of personal –to-holder motor vehicles for officers in the public service and state owned enterprises. In that regard it was unfortunate that the Institute procured three motor vehicles valued at K 1,477,665 under a self liquidating loans scheme. The Committee also learnt that there was no board approval to purchase the vehicles and the three officers who were the beneficiaries were no longer serving and had left the institution without surrendering the vehicles. The Committee also heard that as at 30th November, 2020, the former officers still owed the Institute amounts totaling K 580,435. The Controlling Officer also informed the Committee that the Board resolved to abolish the self liquidating loan scheme for senior managers on 19th July, 2019. The Committee also learnt the officers in question had sued the Institute with regard unfair dismissal and that the vehicles were still in their custody.

Committee's Observations and Recommendations

The Committee finds the reasons given as the cause of the query unacceptable. The Committee is of the view that the query was as a result of laxity on the part of management and administrative lapses. The Committee is further saddened to note that while the vehicles were procured using the Institute's funds and the liability is still on their balance sheet, the vehicles are still in the custody of the former employees who have taken the Institute to court for unfair dismissal. The Committee observes that the issue of unfair dismissal and procurement of vehicles are not related. The Committee strongly directs that the Controlling Officer should ensure that the three vehicles are recovered with immediate effect, or the officers should pay the outstanding unrecovered loan amounts. The Committee further directs that the Controlling Officer should institute disciplinary measures against all officers who failed to execute their duty and their supervisors and to ensure that management strengthens its internal controls in line with financial regulations. The Committee will await an update on the matter.

13.4.3 Failure to Remit Ta K 2,033,586

The Controlling Officer submitted that failure to remit statutory obligations was due to constrained cash flow to meet gross payroll as well as provide services on a monthly basis. She further submitted that the medical fees charged by the Institute were low at the time of the audit. However, the fees were revised upwards in response to upward economic trends. The Institute was also updating its customer database with an aim to include employees from other sectors such as agriculture and construction sectors. Further, the Institute has intensified compliance inspections in the mines in collaboration with the Mine Safety Department under the Ministry of Mines. She further submitted the Institute had written to Zambia Revenue Authority (ZRA) requesting for a time to pay agreement and a response was being awaited. In that regard, an initial K 843,046 had been paid.

Committee's Observations and Recommendations

The Committee is concerned that the statutory obligations have not been settled and strongly urges the Controlling Officer to ensure that the matter is treated with the seriousness and urgency that it deserves so as to avoid possible litigation. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

14.0 Public Service Pensions Fund Ministry of Finance and National Planning

An examination of financial and other records maintained at Public Service Pensions Fund for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

14.1 Budget and Income

The Controlling Officer submitted that the observations by the Auditor General were noted. He further submitted that during the period under review, the total budget was K3.7billion of which K2.2billion was released representing 53 per cent of the total budget. Furthermore, he informed the Committee during the period under review, the nation faced serious fiscal challenges which had an effect on the releases of funds to the social economic sector. In mitigating the above deficit in funding, the Treasury provided a total of K1billion in the 2021 national budget and further supplemented the budget with a total of K1Billion to finance the gap created in the period 2017 to 2019. The Committee learnt that following the receipt of the K1billion to cover for the gap created as a result of underfunding during the period 2017 to 2019, the Fund was able to pay the pensioners. Documentary evidence was availed for verification.

Committee's Observations and Recommendations

The Committee recommends that the Treasury should ensure that the Fund is provided with the requisite budgetary amounts at the right time to ensure that the plight of pensioners is not exacerbated due to delayed funding. The Committee further urges the Controlling Office to direct management to come up with strategies to grow the entity's funding in order so as to reduce its dependence on the grants from the Treasury. The Committee resolves to await an update on the matter.

14.2 Information and Communication Technology Systems - Lack of Service Level Agreements

The Controlling Officer submitted that the Fund stringently followed the procurement guidelines as provided in the Public Procurement Act. He further submitted that the Fund had a service level agreement signed in 2014, and was subject to renewal after every two years upon mutual agreement. Since the Fund was still using the same service provider, efforts had been made to renew the service level agreement to reflect what was obtaining in the industry at the time of the audit. The Controlling Officer further apprised the Committee that the Fund had signed the

Service Level Agreement (SLAs) in November, 2021 and documentary evidence was availed for verification.

Committee's Observations and Recommendations

The Committee notes with comfort that the SLAs were signed. However the Committee is disappointed to note that management exhibited a reactive approach to executing its administrative role considering that the SLA was not renewed following its expiry in 2016. The Committee directs the Controlling Officer to enhance supervision of the entity to ensure that officers employed are able to effectively execute their roles in order for the Fund to timely deliver on its mandate. The Committee resolves to close the matter.

14.3 Financial Analysis

An analysis of annual report and financial statements for the period under review revealed the following:

14.3.1 Inadequate Dependency Ratio

The Controlling Officer submitted that the observation by the Auditor General that Dependency Ratio for the Fund was below the ideal industry standard Dependency Ratio of one pensioner to be supported by at least five contributing members (1:5), as shown in the Table below. The Controlling Officer further submitted that the enactment of the amendment *Act No 9 of 2000*, read together with the *National Pension Scheme Act N0. 40 of 1996*, which brought into existence the National Pension Scheme Authority, presumed that Public Service Pensions Fund was closed to receive new entrants from the public service with the exception of members of the Defence and Security wings. In view of this decision, with the passage of time, the active contributing members had been declining whilst the number of retirees had been increasing, thereby creating an undesirable dependence ratio.

In trying to mitigate the above, the Board reviewed the position to close the intake of new members by involving all major stakeholders and as a result the Board had approved the draft Statutory Instrument to re-open the scheme to new entrants. The proposed year for re-opening was 2022 to allow for budgeting and stakeholder engagement.

Table 14.5: PSPF Dependency Ratio

Details	2019	2018	2017
PSPF Membership			
Contributing Members	93,551	94,671	93,323
Pensioners	54,004	58,363	56,547
Total Membership	**147,555**	**153,034**	**149,870**
Dependence Ratio (Contributor/Pensioner)	**1:1.73**	**1:1.62**	**1:1.65**

Committee's Observations and Recommendations

The Committee is in agreement with management with regard to the unfortunate presumed closure of the Fund and notes that as opposed to NAPSA operating as a primary scheme; NAPSA is operating as a priority scheme before any organisation can subscribe to any other scheme. The Committee observes that this biased pension structure has had a negative impact not only on the operations of the PSPF but on other pension companies as while. The Committee strongly recommends that the Secretary to the Treasury should promptly intervene in the matter. The Committee also notes that PSPF has approved a draft Statutory Instrument (SI) to re-open the scheme to new entrants. The Committee recommends that as opposed to formulating an SI, the Fund should consider enactment of an Act as an SI will be subservient to *Chapter 256* of the *National Pension Scheme Act No. 40 of 1996*. The Committee resolves to await an update on the matter.

14.3 2 Decline in Net Assets Available for Benefits

The Controlling Officer submitted that the observation by the Auditor General that the Fund recorded a decrease in assets of K785,747,389 resulting in net assets of K313,938,913 in 2018 and a deficit in net assets for the financial year ended 31st December 2019 in amounts totalling K560,404,441 as shown in the Table below was correct..

Table 14.6: Statement of Changes in Net Assets

Details	**2019 K**	**2018 K**	**2017 K**
Income from dealings with members	1,061,573,305	1,399,475,938	2,158,539,853
Returns on Investments	104,696,135	169,909,147	321,669,246
Total Income	**1,166,269,440**	**1,569,385,085**	**2,480,209,099**
Benefits Payable	1,595,764,788	1,135,233,197	1,266,925,296
Administrative and Other Expenses	130,909,093	120,212,975	113,597,501
Total Expenditure	**1,726,673,881**	**1,255,446,172**	**1,380,522,797**
Increase (Decrease) in Net Assets for the Year	**(560,404,441)**	**313,938,913**	**1,099,686,302**
Net Assets / (Liabilities) available for benefits at start of the year	1,486,284,118	1,217,388,530	117,702,228
Net Assets available for benefits at end of the year	925,598,126	1,486,284,118	1,217,388,530

The Controlling Officer further submitted that during the period under review, the nation faced serious fiscal challenges which had an effect on the releases of funds to the social economic sector. Additionally, the drop in investment income was mainly attributable to the mandatory implementation of a new accounting standard (IFRS9) which resulted in increased impairment provisions in the period under review. In mitigating the above deficit in funding, the Treasury provided a total of K1billion in the 2021 national budget and further supplemented the budget with K1Billion to finance the gap created in the period 2017 to 2019.

Committee's Observations and Recommendations

The Committee reiterates its recommendation for the Fund to formulate strategies that will reduce its dependence on the funding from the Treasury and also for the Secretary to the Treasury, to intervene with regard the biased to pension structure which has a negative impact on the operations of the Fund. The Committee resolves to await an update on the matter.

14.3.3 Mismatch of Growth of Income from Member Contributions and Benefits Payable

The Controlling Officer submitted that the challenge the Fund had been facing was that the active membership had continued to decline since 2000 to the period of the audit, translating into reduced member contribution income for the Fund. To address the challenge highlighted above, the Board had approved a draft statutory instrument to: increase the contribution by 2 per cent (shared equally between employer and employee) which would be implemented in 2022; and re-open the scheme to new entrants. The proposed year for re-opening was 2022 to allow for budgeting and stakeholder engagement.

Committee's Observations and Recommendations

The Committee reiterates its recommendation for the review of the pension structure through the Secretary to the Treasury. The Committee resolves to await a progress report on the matter.

14.3.4 Government Indebtedness – Pension Contributions

The Controlling Officer submitted that the observation by the Auditor General that the Government's indebtedness to the Fund increased from K481,361,893 in 2017 to K1,055,848,322 in 2019 in respect of pension contributions for both employer and employee representing an increase of 119 was correct. . He further informed the Committee that during the period under review, the Treasury faced fiscal challenges to the extent that some third party payments such as pension contributions could not be released when processing the monthly payroll. This gave rise to the outstanding K1.3billion. The Committee heard that in an effort to liquidate the outstanding pension contributions, the Government K924,550,459.52 out of which K462million was invested into Government bonds and further remitted K462million was used to pay pensioners. The Committee further learnt that as at 31st December, 2021, the outstanding arrears 7sttod at K 859,113,227.02.

Committee's Observations and Recommendations

The Committee recommends that the Treasury should ensure that it clears all the outstanding pension contributions. The Committee reiterates its recommendation for the restructuring of the pension structure. The Committee resolves to await an update on the matter.

14.3.5 Outstanding Pensions

The Controlling Officer submitted that the observation by the Auditor General that the Fund owed pensioners lump-sum payments in amounts totalling K767, 332,099 for periods ranging from 2006 to 2019 was correct. To address the pension arrears, Government over the years had been allocating Funds in the National budget for PSPF. Due to economic challenges experienced by Government both in 2018 and 2019 the disbursement to the Scheme was not adequate. However, in 2020 and 2021 adequate funding had been released by the Treasury and the outstanding lumpsum payments at the time were paid. The Committee learnt that the Fund had paid 2,186 pensioners amounts totaling K 1,658,103.33 leaving a balance of 1,599 pensioners with amounts totaling K 1,026,667,203.21 yet to be paid and that this included new cases from 2020 and 2021.

Committee's Observations and Recommendations

While noting the strides that have been made with respect to paying out the outstanding pension benefits, the Committee observes with concern that the outstanding number of pensioners is still too big at 1,599 pensioners with amounts totaling K 1,026,667,203.21. The Committee is concerned that failure to pay pension benefits results into, pensioners becoming destitute even after having diligently served the republic as civil servants for many years. The Committee strongly urges the Secretary to the Treasury to intervene in the matter expeditiously. The Committee resolves to await an update on the matter.

14.4 Operational Matters

14.4.1 Unreimbursed Pension Fund

The Controlling Officer submitted that queried amount of K3.3millin arose from the partnership between Public Service Pensions Fund and Zambia Postal Services. Zambia Postal Service was to facilitate the payment of monthly pension to pensioners through the postal service's office. The amount related to undisbursed funds to pensioners received from Public Service Pensions Fund. The Committee further heard that Zambia Postal Services acknowledged the amounts due and were committed to liquidate the outstanding amounts. The Controlling Officer further submitted that ZAMPOST had paid K 50,000 towards the outstanding amount and committed to pay K 25,000 monthly. The Committee also learnt that PSPF had not charged accrued interest as per the contract provision.

Committee's Observations and Recommendations

The Committee is mystified to note that ZAMPOST failed to disburse pension funds to the rightful beneficiaries with impunity. The Committee strongly recommends that the Secretary to the Treasury should institute disciplinary measures against all officers who were responsible for this failure. The Committee is also disappointed to note that PSPF has failed to charge interest in line with the contract. The Committee directs the Controlling Officer to institute disciplinary action against all officers who failed to execute their duties. The Committee finds it unacceptable that the amount that has been paid and committed is too insignificant to clear the outstanding amount in good time. The Committee directs that the payment plan must be revised to ensure that a reasonable amount with a minimal time frame is agreed upon and for the correct outstanding amount with unpaid interest is submitted. The Committee resolves to await a progress report on the matter.

14.4.2 Analysis of the Equity Portfolio by Company

The Controlling Officer submitted that the observation by the Auditor General that the Fund had nine investee companies whose performance recorded negative returns ranging from 1 per cent to 70 per cent except for Copperbelt Energy Corporation was correct. The Controlling Officer further informed the Committee that PSPF had diversified its portfolio and had noted that the performance of the equities had been quite poor in the period under review. In the period under review, equities share prices did not perform well with a downward trend. The worst performance was in 2019 with a loss of 24 per cent. Service Pension Fund had been in the market to dispose off the National Breweries Plc and CEC Africa shares. The Fund had since managed to dispose off CEC Africa Plc shares but there seem to be no appetite for the National Breweries Plc shares on the market (LuSE). The Fund was also in negotiations for a possible share swap with some Bata Shoe shares as a strategy to downsize its holding. However, it proved to be a challenge given the poor performance of National Breweries Plc.

On the other hand as a Pension Fund, investments in equity had a long perspective in that the share prices might depend on the performance of the company and economy. Therefore, there was normally a cyclical movement in the share prices affected by the performance of the economy and over time prices might level off. In 2020 the market had seen some recovery. shown in the Table below for the PSPF equity portfolio.

	Opening Balance	Closing Balance	Capital Gain / (loss)	Dividends / Interest	Total Income	Annualised Eff Return
EQUITIES						
(i) British American Tobacco	15,200,000	14,400,000	-800,000		-800,000	-5%
(ii) Puma Zambia Plc	23,962,492	19,561,218	-4,401,274		-4,401,274	-18%
(iii) Lafarge Cement	5,207,457	5,527,916	320,459	4,005,737	4,326,195	83%
(iv) National Breweries	47,408,475	47,408,475	-		-	0%
(v) Copperbelt Energy Corporation	17,170,571	15,110,103	-2,060,469	6,053,657	3,993,188	23%
(vi) Zambia Sugar	22,824,984	23,281,483	456,500	2,191,198	2,647,698	12%
(vii) Zambia National Commercial Bank	14,946,750	14,049,945	-896,805	1,494,675	597,870	4%
(viii) Zambeef Meat Products	6,123,456	7,484,224	1,360,768		1,360,768	22%
TOTAL	**152,844,185**	**146,823,364**	**-6,020,821**	**13,745,267**	**7,724,446**	**5%**

He further submitted that the dividends earned in the year were sufficient to cover this loss resulting in a positive return of 5 per cent.

Management would continue monitoring the market to dispose off shares whose fundamentals were not strong enough for potential future gains such as National Breweries Plc.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and resolves to await an update on the disposal of its shares which are not profitable. The Committee further directs that a time frame should be given within which this will be done.

14.4.3 Investments beyond Authorised Thresholds

The Controlling Officer submitted that the observation by the Auditor General that contrary to section 29 (1) of the *Public Service Pensions Act No. 35 of 1996* PSFP had investments in three (3) which were above the 20 per cent threshold as shown in Table 14.11 below was correct.

Table 14.11: Investment Portfolios

Investment Portfolio	**2017 K**	**2018 K**	**2019 K**	**2017 % of net assets**	**2018 % of net assets**	**2019 % of net assets**
Investment Property	-	-	234,117,225	-	-	25%
Fixed and time deposits	533,930,651	507,723,315	452,101,061	44%	34%	49%
Microfinance	304,424,550	306,609,362	375,921,740	25%	21%	41%
Net Assets	**1,217,388,530**	**1,486,284,118**	**918,639,295**			

The Controlling Officer further submitted that one of the functions of the Fund was to grow an asset base that would generate sufficient revenues to sustain the operations of the scheme. He further submitted that the Funds' membership base had been dwindling following the purported closure of new entrants from 2000. This had resulted in reduction in revenue arising from pension contribution. Therefore, to try and help in mitigating this growing gap between revenue and pension obligations, the Fund had to grow its asset base which would in turn help to increase revenue from other sources other than the dwindling pension contributions. However, this restriction in the Act inhibited this growth initiative. Worse still the net asset value of the Fund was too small given the pace at which pension liabilities were growing. The Committee learnt that the matter was being addressed under pension reforms where it was proposed to amend the Act to revise the threshold. The Controlling Officer further submitted that the Fund had been advocating for reforms in the pension sector since 2012.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission and management's intent, the Committee finds it unacceptable that management abrogated the law in an effort to grow its asset and to generate sufficient revenues to sustain the operations of the scheme. The Committee is of the considered view that management should have ensured that the Act was amended before abrogating its provisions with regard to the 20 per cent threshold. The Committee recommends that the Controlling Officer should institute disciplinary action for this lapse. The Committee further urges the Secretary to the Treasury to promptly ensure that reforms are undertaken in the pension sector. The Committee will await an update on the matter.

14.5 Investments Properties
14.5.1 Poor Management of Investment Properties
(a) Outstanding Rental Income K 2,856,151

The Controlling Officer submitted that the Public Service Pensions Fund had endeavoured to recover the entire outstanding rental to the extent of engaging bailiffs to help in the debt recovery. On the other hand part of this debt was owed by government departments.

Committee's Observations and Recommendations

The Committee observes with concern the failure to collect the outstanding rental income. The Committee directs that all the tenants who have failed to pay their outstanding rentals should be evicted without delay. In addition, the Committee urges the Secretary to the Treasury to intervene in the matter with regard to government departments that owe the Fund rental income. The Committee will await an update on the matter.

(b) Vacant Properties K 1,061,124

The Controlling Officer submitted that the observation by the Auditor General that the Fund had there six properties (shops/spaces) that were vacant for months ranging from two to thirty months was correct. The Controlling Officer further submitted that the main challenge faced by the Fund, was failure to meet the initially desired tenant mix to avoid exposure to a particular sector. The Fund had further engaged four Leasing Agents to help in letting the vacant properties. To this effect all properties but one had been taken. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and resolves to close the matter.

14.6 Contracts
14.6.1 Construction of Longacres Mall along Alick Nkhata Road – Investment Capping

The Controlling Officer informed the Committee that the observation by the Auditor General that the Fund had engaged a contractor at a total sum of US$107,136,293 (K2,249,862,153) and thus exceeding the 20 per cent threshold as the net assets were valued at K918,639,295 as at 31st December, 2019 was correct. The Committee further heard that one of the functions of the Fund was to grow an asset base that would generate sufficient revenues to sustain the operations of the scheme. He further submitted that the Funds' membership base had been dwindling following the purported closure of new entrants from 2000. This had resulted in reduction in revenue arising from pension contribution. Therefore, to try and help in mitigating this growing gap between revenue and pension obligations, the Fund had to grow its asset base to help increase revenue from other sources other than the dwindling pension contributions. However, this restriction in the Act inhibited this growth initiative. Worse still the net asset value of the Fund was too small given the pace at which pension liabilities were growing. The Controlling further submitted that the matter was being addressed under pension reforms were it was proposed to amend that the Act so as to revise the threshold.

Committee's Observations and Recommendations

The Committee observes with concern the blatant breach of provisions of the Act. The Committee condemns the decision by the Board and questions why it failed to ensure that the Act was revised before committing to the project. In this regard, the Committee directs that disciplinary action should be meted out against all officers responsible for the anomaly. The Committee resolves to await a progress report on the matter.

14.6.2 Questionable engagement of Marketing and Leasing Agent
(a) Failure to Obtain Attorney General's Approval

The Controlling Officer submitted that initially it was estimated that the cost of the activity would be K300, 000. In view of this, the Fund used the simplified bidding procurement method to engage Pam Golding Properties (PGP). As a result of the procurement method used, the resultant contract was not subjected to the Attorney General's scrutiny. The Controlling Officer further submitted that it was regrettable that an inappropriate procurement method was used considering that the Agent was going to receive amounts above K 500,000. The Controlling Officer further informed the Committee that to address this, management had since terminated the contract with Pam Golding.

Committee's Observations and Recommendations

The Committee observes with concern the failure by management to adhere to the provisions of the procurement regulations. The Committee finds the excuse from the Controlling Officer inadmissible and is of the considered view that failure to follow the procurement regulations was deliberate. In this regard, the Committee directs that disciplinary action should be meted out against all officers who failed to execute their duties so as to deter others from such laxity. The Committee resolves to await an update on the matter.

(b) Questionable Procurement Method

The Controlling Officer submitted that the simplified bidding procurement method was not used for the purposes of favouring PGP because besides PGP, the following renowned real estate Agents were also invited to submit proposals for the required services:

(i) Fairworld Properties Limited
(ii) Upmarket Property Consultants Limited
(iii) Knight Frank
(iv) Sherwood Greene

The invited Firms were all subjected to the same evaluation criteria contained in the request for quotations and PGP was the best evaluated bidder. Approval to engage PGP was subsequently given by the Procurement Committee on 27th March 2015. He further submitted that the recommendation made by the Auditor General for management to ensure that they to used a method of procurement that would enable them to engage the most favourable bidder was well noted.

Committee's Observations and Recommendations

The Committee reiterates its recommendation for disciplinary action to be meted out against all erring officers so as to deter others. The Committee resolves to await an update on the matter.

14.6.3 Weaknesses in the Management of Contract for Modernisation of the Pension Administration System

(a) Inefficient Operation of the System

The Controlling Officer submitted that the system at the time of the audit, the system was undergoing testing and migration. However, the inefficiencies had been addressed and the lag in processing time had been eliminated following full migration and implementation of the system. The Committee also learnt that the processing of payroll which used to take two hours had been reduced to less than an hour.

Committee's Observations and Recommendations

The Committee is concerned that management allowed the core business processes to run with inefficiencies. Furthermore, the Committee finds it unacceptable that management allowed a payment of 92 per cent without monitoring the deliverables and ensuring that there was a User Acceptance Testing performed before the payment was made. In this regard the Committee condemns the manner in which the transaction was handled and directs that all the officers who processed the payments should be disciplined without fail. The Committee will await an update on the matter.

(b) Delayed Implementation

The Controlling Officer submitted due to delays and challenges to meet other deliverables, Public Service Pensions Fund, on 11th January 2017 issued JJ Hoets & Associates a thirty days' notice of termination of the contract. However, following review of the risk inherent in termination of contract, management resolved to extend the implementation period of the contract to allow adequate time to finalise the project. The Committee also learnt that there was no User Acceptance certificate and completion certificate for the project as at the close of 2021

Committee's Observations and Recommendations

The Committee is concerned to observe that in one breath, the Controlling Officer submits that the inefficiencies had been addressed and the lag in processing time had been eliminated while at the same time the Fund had resolved to terminate the contract due to several challenges. The Committee is disappointed that management failed to manage the contract in an efficient and effective manner. The Committee directs that disciplinary action should be meted out on all the officers and their supervisors who failed to execute their duties effectively. The Committee will await an update on the matter.

(c) Questionable Payments for Project Deliverables

The Controlling Officer submitted that on 24th May 2017, Public Service Pensions Fund wrote to the Consultant Varying the terms of contract with different milestones. He further submitted that all the payments were made according to the milestones as per documentary evidence which was verified by the auditors.

Committee's Observations and Recommendations

The Committee notes the response and resolves to close the matter.

(d) Outstanding Works on the Pension Administration System

The Controlling Officer submitted that at the time when the audit was being conducted, the integration was ongoing. The Committee further heard that the payroll module had been completed and was operational and ready for verification. The record management system had also been addressed upon implementation of the new pension administration system. However, with regard the Web and Mobile application, the consultant did not manage and hence the contract was terminated and the 8 per cent and could not be paid. As a result, the web and mobile applications were under procurement.

Committee's Observations and Recommendations

The Committee directs that the Controlling Officer should ensure that the outstanding works do not cost the Fund more than the remaining 8per cent. The Committee observes that payment of more than the initial cost would be deemed as a waste of resources because the contractor who had been initially engaged should have executed all the required works. The Committee resolves to await an update on the matter.

14.7.1 Staff Matters - Failure to Recover Loans from Separated Staff K 2,544,757

The Controlling Officer submitted that the observation by the Auditor General was correct and noted. He further submitted that out of the queried number of twelve staff, ten staff were not paid their benefits as they exited via various disciplinary grounds. He further submitted that six loans were collateral based and Public Service Pension Funds was in possession of the title deeds, three officers were contractual staff and were not paid their benefits, while one officer who was overpaid his benefits had been making payments and one officer's case was pending court determination. He further submitted that amounts totaling K 576,614.06 had been recovered from the former employees, leaving a balance of K 2,144,146.11

Committee's Observations and Recommendations

The Committee is concerned that it has taken such an inordinate time for the Fund to recover the funds from the employees whose title deeds are in its possession. The Committee also finds it unacceptable that management overpaid benefits and questions why these were not deducted before payment. The Committee directs that disciplinary action should be meted out against all officers who failed to execute their roles resulting in the query. The Committee resolves to await an update on the payment of the outstanding loans.

15.0 Tanzania Zambia Mafuta Petroleum Products Company Limited Pipelines Ministry of Energy

An examination of financial and other records maintained at TAZAMA Pipelines Limited headquarters in Ndola for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

15.1 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that the entity had generated revenue in amounts totaling K 1,374,237,774 against a budget of K 1,302,713,650 resulting in a positive variance of K 71,524, 124 was correct.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close.

15.2 Financial Analysis

15.2.1 Statements of Financial Position - Receivable Management Policy

The Controlling Officer noted the Auditors observation and submitted that the trade receivables comprised of the details outlined below.

i. *2017 receivables of K41.2 million:* Ministry of Energy Zambia (MoE) owed K33.9 million (for December 2017 invoices) out of the K41.2 million debt and settled the same on 24th January 2018. TAZAMA Petroleum Products Limited (TPPL) owed K7.3 million and the debt was being settled through a time to pay agreement.

ii. *2018 receivables of K63.6 million*: MoE owed K51.1 million for December 2018 invoices and settled the same on 24th January 2019; INDENI Refinery debt of K8 million was being settled under a time to pay agreement as well as TPPL debt of K4.6 million.

iii. *2019 receivables of K84.8 million:* MoE owed K77.8 million for November 2019 and December 2019 invoices and these were settled on 6th January 2020 and 25th March 2020 respectively. INDENI owed K2.9 million and TPPL owed K4.0 million with both debts being settled under time to pay agreements.

However, in the absence of a receivable policy, Management was guided by the TAZAMA systems and procedures manual in as far as billing, invoicing and accounting procedures were concerned and in line with the signed contract with the Company's customer, Ministry of Energy Zambia. There were also Financial Key Performance Indicators (KPIs) set by the regulator, Energy Regulation Board (ERB), on the management of the receivables. Further, as a corrective measure, Management had formulated a policy that incorporated the Company's revised cash management procedures and the new receivable management procedure. The policy would be submitted to the Board for approval by December 2021 and would be used as a guide.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that the completion of the receivable management policy is expedited as a matter of urgency. The Committee will await a progress report on the matter.

15.2.2 Statements of Financial position

The Controlling Officer submitted that the auditors observation was noted. The trade receivables comprised of:

a) **2017 receivables of K41.2 million:** Ministry of Energy Zambia (MoE) owed K33.9 million (for December 2017 invoices) out of the K41.2 million debt and settled the same on 24th January 2018. TAZAMA Petroleum Products Limited (TPPL) owed K7.3 million and the debt was being settled through a time to pay agreement.

b) **2018 receivables of K63.6 million:** MoE owed K51.1 million for December 2018 invoices and settled the same on 24th January 2019; Indeni Refinery debt of K8 million was being settled under a time to pay agreement as well as TPPL debt of K4.6 million.

c) **2019 receivables of K84.8 million:** MoE owed K77.8 million for November 2019 and December 2019 invoices and these were settled on 6th January 2020 and 25th March 2020 respectively. Indeni owed K2.9 million and TPPL owed K4.0 million with both debts being settled under time to pay agreements.

However, in the absence of a receivable policy, Management was guided by the company systems and procedures manual in as far as billing, invoicing and accounting procedures were concerned and in line with the signed Contract with the company's customer, Ministry of Energy Zambia. There were also Financial Key Performance indicators (KPIs) set by the Regulator (Energy Regulation Board) on the management of the Receivables. Further, as a corrective measure, Management had formulated a policy that incorporated the Company revised Cash Management Procedures and the new Receivable Management procedure. The policy would be submitted to the Board for approval by December 2021 and would be used as a guide.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and resolves to await an update on the receivable management policy and payment of outstanding receivables.

15.3 Operational Matters
15.3.1 Loss of Revenue due to Pipelines Leakages

The Controlling Officer submitted that the cause for the 33 leaks recorded in the period under review was pipeline corrosion due to degraded (worn out) external coating of the pipe. However, in 2013 the Company had conducted an intelligent pigging exercise (internal pipeline survey) which revealed the weak areas of the pipeline. The Company embarked on a repair and / or replace of weak areas above 60 per cent metal loss at a total cost of K22.7 million. This exercise helped to reduce annual leaks from 25 in 2012 with a peak of 55 in 2014 to 2 in 2020 as shown in the table below:

YEAR	NO. OF LEAKS	REMARKS
2012	25	Before Rehabilitation
2013	26	Before Rehabilitation
2014	55	Before Rehabilitation
2015	4	After Rehabilitation
2016	2	After Rehabilitation
2017	15	After Rehabilitation
2018	8	After Rehabilitation
2019	10	After Rehabilitation
2020	2	After Rehabilitation

However, the loss of 631.22 metric tonnes (MT) for the period under review represented a loss of 0.034 per cent of the total pump-over of 1,879,983.91 MT (pump-over 2017: 586,258.88 MT, in 2018: 629,394.34 MT and 2019: 664,330.69 MT. These losses were within the allowable loss rate of 0.65 per cent of crude oil pump-over to INDENI as per ERB KPIs and the Agency Agreement between the Ministry of Energy and TAZAMA Pipelines Limited. Refer to KPIs from ERB clause 5.2 on page 7 of the Agency Agreement. Further, Management would carry out another intelligent pigging exercise to identify all new weak areas along the entire pipeline in 2022. After identification of weak areas, pipeline repair works would be carried out accordingly.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that to the greatest extent possible, incidences of leaks are minimised or completely done away with. The Committee will await a progress report on the pipeline repair works that are scheduled to be conducted in 2022.

15.3.2 Unrecovered VAT Refunds

The Controlling Officer informed the Committee as set out below.

i. *Zambia Revenue Authority (ZRA)*
The Controlling Officer submitted that a joint comprehensive reconciliation was done by TAZAMA and ZRA in the year 2020. ZRA requested for time to clear the misposts that were done on the account. Further TAZAMA and ZRA Managements met in June 2021 and agreed to allow time for ZRA to conclude data verification.

ii. *Tanzania Revenue Authority (TRA)*

The Controlling Officer submitted that TAZAMA had on several occasions engaged TRA to recover the outstanding VAT refund. A high-level round table meeting with TRA, Ministry of Finance (Tanzania), Ministry of Energy (Tanzania) and TAZAMA was held in February 2020 in Dodoma to discuss the issue of the VAT debt. TRA indicated that the procedure for VAT refund had changed and required that the suppliers of the claimant be verified first before effecting refunds.

The supplier verification exercise by TRA was, however, put on hold due to the COVID-19 pandemic outbreak and it resumed in 2021. TRA managed to settle K7, 965,712.10 (Tsh 838, 496,011.12) on 1st April 2021 covering the debt period of January 2016 to December 2017. However, some selected claims amounting to K2, 956,922.64 (Tsh 311,255,014.55) for the period 2014 to 2017 were disallowed. Management had lodged an appeal with the TRA. Further the TRA wrote to TAZAMA on 27th July 2021 assuring Management that the account was being verified and that Management would be informed on progress in due course.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to ensure that the process of recovering the VAT is concluded urgently. Regarding the TRA, the Committee expresses concern at the Controlling Officer's response and recommends that the Minister of Energy and the Minister of Finance and National Planning should engage their Tanzanian counterparts to resolve the issue. The Committee will await a progress report on the matter.

15.4 Administrative Matters - Failure to Secure Title Deeds

The Controlling Officer submitted that the delay in acquisition of a title deed was due to a defect in the initial survey which did not capture the whole parcel of land occupied by the pump station. A re-survey was conducted, approval granted and all requisite fees paid. TAZAMA was awaiting issuance of the title deed by the Ministry of Lands. The delay in the issuance of the title deed was compounded by the 2020 Tanzania General Elections and the impact of COVID-19 pandemic.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to continue making the necessary follow-ups on the issuance of the title deeds by the Ministry responsible for lands in Tanzania. The Committee will await a progress report on the matter.

16.0 University Teaching Hospitals Ministry of Health

An examination of financial and other records maintained at UTH for the Financial Year ended 31st December 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

16.1 Budget and Income

The Controlling Officer submitted that out of the total approved budget of K569, 946, 980, an amount of K481, 841, 546 was made available leaving a balance of K88, 105, 433. This was mainly due to the fiscal challenges faced during the period under review. Out of the reported amount of K481, 841, 547.00, an amount of K404, 840, 044.00 related to Personnel Emoluments, K18,502,969 related to Recurrent Departmental Charges (RDCs) and K58,498,534 represented internally generated funds. The Controlling Officer stated that UTH only received four grants out of the expected twelve for operations during the period under review.

Committee's Observations and Recommendations

The Committee directs Management to take pragmatic decisions that can help the entity to improve its internally generated income and not rely solely on the Treasury. The Committee strongly urges the Controlling Officer to ensure that management formulates realistic and implementable strategies to revamp the institution's income generation. The Committee will await a progress report on the matter.

16.2 Accounting Irregularities

16.2.1 Poor Implementation of the Blue Receipt – Adult Hospital

The Controlling Officer submitted that the incidence of missing receipts was mainly due to weaknesses in the internal controls as there was no system in place to collect the blue receipts from the clinics to facilitate effective reconciliation of revenue and ensure its completeness. Though the loss of funds could not be ascertained, the Senior Medical Superintendent - Adult Hospital, had been charged with the offences of poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service. The Chief Accountant was also charged for poor supervision. The Controlling Officer explained that UTH had since put in place a system to collect copies of the blue receipts on a weekly basis from the clinics after the provision of service. Concerned officers had also been sensitised and trained to appreciate the importance of collecting and keeping the blue copies.

Committee's Observations and Recommendations

The Committee expresses concern at the fact that there appears to be no attempt to reconcile the revenue collection even after the audit query was raised. The Committee finds it unacceptable that management failed to maintain a proper system for collecting and recording receipts. The Committee acknowledges the disciplinary action taken against senior officers and recommends that this should be extended to officers responsible for collecting the receipts. The Committee directs the Controlling Officer to ensure that reconciliation is done and resolves to keep the matter open.

16.2.2 Unaccounted for Revenue – Adult Hospital

The Controlling Officer submitted that this was due to weaknesses in internal controls, as there was only one cashier and there was no segregation of duties to verify daily banking. Under-banking was discovered by the Internal Auditor and disciplinary action was taken against the officer. The Controlling Officer informed the Committee that the Senior Medical Superintendent- Adult Hospital and Chief Accountant had been charged with the offences of poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service. To avoid the recurrence, the cashier's office had been assigned had four officers each with different duties to ensure that there were checks and balances. In addition, verification of banking was being conducted on a weekly basis.

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officers response and urges him to strongly caution Management to ensure that the query does not recur. The Committee resolves to close the matter subject to audit verification.

16.2.3 Failure to Collect Rentals – Adult Hospital

The Controlling Officer submitted that Management made efforts to collect rentals and several demand letters were sent to tenants. Out of the forty tenants cited in the audit report, ten tenants did not owe anything to the institution. Eighteen tenants had since made payments towards the outstanding rentals in amounts totalling K470,075, while four tenants who failed to oblige had their tenancy agreements terminated and were evicted. Management had engaged the remaining eight tenants that included four telephone and internet companies with the telecommunication towers around UTH premises to urgently make payments towards the rentals. The Senior Medical Superintendent- Adult Hospital had also been charged with the offences of poor supervision, negligence and non-compliance with established procedures or standing instructions in accordance with the Disciplinary Code for Handling Offences in the Public Service.

Committee's Observations and Recommendations

The Committee expresses concern at the apparent lack of supervision at the UTH and directs the Controlling Officer to strongly caution Management. The Committee will await a progress report on the collection of the outstanding rentals.

16.2.4 Irregular Issuance of Accountable Imprest

The Controlling Officer submitted that the Hospitals issued accountable imprest in amounts totalling K11, 273,482 to several officers to undertake various activities without authority from the Secretary to the Treasury. The Senior Medical Superintendents for Adult Hospital; Cancer Diseases Hospital; Children's Hospital; Eye Hospital; Women and Newborn Hospital; and the Head of Accounting Units had been charged with the offences of poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service. UTH had since stopped paying accountable imprest to individuals and had started to pay through direct bank transfers, in line with the Treasury and Financial Management Circular No. 1 of 2020.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to caution management to ensure that Financial Regulations are not flouted going forward. The Committee takes note of the disciplinary action taken against members of Senior Management and of the move to stop paying accountable imprest to individuals. The Committee resolves to close the matter subject to audit verification.

16.2.5 Unretired Imprest – Adult Hospital

The Controlling Officer submitted that the unretired imprest was mainly due to lack of a follow up mechanism. Imprest amounting to K189, 425.49 had since been retired leaving a balance of K34, 664.51. From this remaining balance, an amount of K27,600 involved a deceased officer and this would be deducted from his terminal benefits. The balance of K7,064.51 from one (1) officer had been effected through the payroll. UTH had started to maintain the imprest registers to ensure that retirements were followed up in accordance to the provisions of the laws and regulations.

Committee's Observations and Recommendations

The Committee expresses disappointment at the failure by management to have a follow up mechanism on imprest. This state of affairs means that the system is open to abuse, a situation which is highly unacceptable. The Committee reiterates its caution to the Controlling Officer regarding the flouting of Financial Regulations and resolves to keep the matter open until all the unretired imprest is retired.

16.2.6 Questionable Issuance of Imprest

The Controlling Officer submitted that the payments became questionable due to failure to provide documentary evidence of venues where the activities in question took place. The Ministry of Health had no choice but to effect recoveries from the officers involved in the activities as documents could not be located and hence no evidence that activities took place. Recoveries had been effected through payroll except for the three officers who had paid in full outside the payroll. The Senior Medical Superintendents for Adult Hospital and Cancer Diseases Hospital had been charged with the offences of poor supervision, negligence and non-compliance with established procedures or standing instructions in accordance with the Disciplinary Code for Handling Offences in the Public Service.

Committee's Observations and Recommendations

The Committee expresses concern at the abuse of resources by officers at UTH and the apparent lack of supervision. The Committee is dismayed that money could be issued for non-existent activities and is disappointed that this was only discovered by auditors. The Committee strongly cautions the Controlling Officer to closely monitor the operations of the UTH and to ensure that systems are put in place to monitor the use of resources. The Committee directs the Controlling Officer to submit supporting documents to the Auditor General for verification, subject to which the matter should be closed.

16.2.7 Irregular Claim of Subsistence Allowance - Adult Hospital

The Controlling Officer explained that there was a double claim of subsistence allowances in amounts totalling K48,000 involving four officers. The Chief Accountant had since paid back the whole K12,800, while full recoveries of amounts paid to the three officers had been effected through the payroll. The Senior Medical Superintendent- Adult Hospital had been charged with the offences of poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service.

Committee's Observations and Recommendations

The Committee is dismayed that officers in the Accounts Department who are supposed to be the custodians of the institution's finances are the ones flouting the rules relating to claiming of allowances. The Committee observes that there is no indication of any disciplinary action taken against these officers and directs the Controlling Officer to ensure that this is done. The Committee further directs the controlling officer to submit supporting documents on the recoveries to the Auditor General for verification, subject to which the matter should be closed.

16.2.8 Locum Allowance

(i) Questionable Payment of Locum Allowance –Adult Hospital

The Controlling Officer submitted that the failure to provide evidence to show that the officers had worked outside normal working hours was due to misfiling of documents. The Senior Medical Superintendent- Adult Hospital, had been charged with the offences of poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service. The locum allowance was paid to officers working outside normal working hours. This included working on weekends, holidays and outside normal shifts such as working when they were supposed to be off duty. All locum claims amounting to K572, 481 were paid for works performed outside normal working hours and the duly approved locum claim forms were available for verification.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to ensure that proper filing systems for all relevant documents are put place. The Committee directs the Controlling Officer to submit all supporting documents to the Auditor General for verification, subject to which the matter should be closed.

(ii) Irregular Payment of Locum Allowance-Adult Hospital

The Controlling Officer submitted that the irregular payment of locum allowances was due to weakness in internal controls. The locums in question were approved by Senior Medical Superintendent, however, the claim forms were not duly signed. The Senior Medical Superintendent- Adult Hospital, had been charged with the offences of poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service. The locum claims forms had since been ratified and the accountant in charge of locum payments had also been charged for negligence. Going forward, locum was only paid when all the documents were duly signed and subjected to pre- audit.

Committee's Observations and Recommendations

The Committee expresses concern at the apparent lack of systems to monitor and follow up on the expending of resources at UTH. The Committee finds this highly unacceptable and strongly cautions the Controlling Officer against allowing this to continue. While noting that disciplinary action has been taken against supervisory officers, the Committee directs the Controlling Officer to admonish management regarding the weak internal controls. The Committee further directs the Controlling Officer to submit all supporting documents to the Auditor General for verification, subject to which the matter should be closed.

16.2.9 Missing Payment Vouchers – Adult Hospital

The Controlling Officer submitted that the payment vouchers were not availed to the auditors during the time of audit due to lack of proper filing system. The Senior Medical Superintendent-Adult Hospital, had been charged with the offence of poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service. All the missing payment vouchers had since been retrieved and management had put in place a record tracking system to ensure easy follow up and retrieval of the vouchers.

Committee's Observations and Recommendations

The Committee finds it unacceptable that documents are only located after the audit. The Committee observes with concern the tendency to submit documents after an audit, as this renders the documents to be unauthentic and unreliable. It can be assumed that such documents are forged for the purposes of satisfying the audit process. The Committee cautions the Controlling Officer against recurring of the query and directs him to submit the supporting documents to the Auditor General for verification, subject to which the matter should be closed.

16.2.10 Inadequately Supported Payments

The Controlling Officer submitted that the unsupported payments were mainly due to poor record keeping. The Senior Medical Superintendents for Adult Hospital and Children's Hospital, had been charged accordingly. Further, Management had put in place a smooth record tracking system by ensuring that all documents were on subject files. A register for easy tracking of every payment had also been introduced. All the payments had since been adequately supported.

Committee's Observations and Recommendations

The Committee reiterates its concern on the submission of documents after an audit. The Controlling Officer is strongly urged to ensure that the record tracking system that has been put in place is used effectively. The Committee cautions the Controlling Officer against this query recurring and directs him to submit the supporting documents to the Auditor General for verification, subject to which the matter should be closed.

16.2.11 Failure to Withhold Value Added Tax

The Controlling Officer submitted that the failure to withhold VAT was due to weaknesses in internal controls as the system lacked effective checking mechanism. Management had since written to the suppliers to provide evidence if the VAT was remitted to Zambia Revenue Authority (ZRA) and to make the remittances if not yet done. The Ministry of Health had started orienting the staff at UTH on the withholding of VAT through the office of Director Finance. UTH had to written to ZRA to train accounting officers in the management of VAT although had not been done yet.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that internal controls are tightened. The Committee will await an update on the remittances of the outstanding VAT to ZRA and on the staff orientation exercise.

16.3 Procurement Matters

16.3.1 Unaccounted for Stores

The Controlling Officer submitted that the failure to account for receipts and disposal details for drugs and medical supplies and the general stores was due to poor record keeping. This was which was an attributed to the inadequate staffing level. Both Hospitals had since created storerooms and the stores officers had been attached to each Hospital. The Senior Medical Superintendents for Adult Hospital and Children Hospital had been charged with the offences of poor supervision, negligence failure and non-compliance with the standing procedure or standing instructions in accordance with the Disciplinary Code for Handling Offences in the Public Service. All the disposal details in amounts totalling K1, 107,844 had since been retrieved.

Committee's Observations and Recommendations

The Committee is disappointed that it had to take the auditors to highlight the query for the supervising ministry to be aware and to take action. The Committee finds it is unacceptable that an entity that is struggling financially should be operating without proper record keeping arrangements. The Committee directs the Controlling Officer to submit the supporting documents to the Auditor General for verification, subject to which the matter should be closed.

16.3.2 Outstanding Bill-Adult Hospital

The Controlling Officer submitted that the query arose due to inadequate funding. During the period under review, only four grants out of twelve were received by the institution, and this resulted into the accumulation of outstanding Bills. Management had made efforts to engage Ministry of Finance to assist in liquidating the outstanding bills and so far, the Ministry of Finance had paid K3 million to the suppliers of various goods and services. Further, a debt plan had been put in place to dismantle the outstanding bills.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that the debt plan that had been put in place is workable and that it is effectively enforced to ensure that the debt is urgently dismantled. The Committee will await an update on the matter.

16.4 Management of Infrastructure – Adult Hospital

The Controlling Officer submitted as follows:

(i) Highland House

Management was in the process of repairing windowpanes, while a housekeeper had been engaged to clean the environment. A contract had been signed with a company to be collecting refuse on a regular basis. Management had since written a letter to the Ministry of Works and Supply to conduct an assessment on the dilapidated Highland House to inform the way forward.

(ii) Libala Borehole Site

The University Teaching Hospitals had seven boreholes and were meant to improve water supply to the Institutions. Only one borehole was working at the time of audit as observed. Since then, another borehole had been equipped and was operational. However, this had not improved the water supply to the expectation. Management had included a plan for equipping three boreholes in the 2022 budget. One borehole collapsed and the other one was a dry borehole. The Controlling Officer further reported that the borehole site had security which was provided 24-hours a day. However, most of the site which covered 9.29 hectares had been encroached on by illegal developers as observed by the auditors and about fifty three housing units had been built around the site. Management took the matter to Attorney General who guided that UTH was on firm grounds to evict the illegal settlers and demolish the structures. Management was in the process of implementing the Attorney General's guidance.

(iii) UTH premises

The Controlling Officer submitted that the University Teaching Hospitals were built in1934 and metal pipes for water and sewer reticulation were used. Most of these pipes had since eroded and leakages were almost everywhere. Management consulted Lusaka Water and Sewerage Company to conduct an assessment on the improvement of water reticulation and came up with an estimated budget of K8, 212, 900.00 which would be included in the 2022 budget.

Committee's Observations and Recommendations

The Committee is dismayed at the negligence exhibited by UTH management who have failed to maintain the much needed infrastructure. The Committee finds this highly unacceptable and directs the Controlling Officer to ensure that management takes better care of the infrastructure. The Committee will await a progress report on the works and on the action to be taken against the illegal settlers at the Libala borehole site.

16.5 Staff Related Matters

16.5.1 Irregular Payment of Salaries

The Controlling Officer submitted that the officers were charged for absenteeism and their cases were tabled before the disciplinary committee. One of the officers Dr. Eric Mwangala Mubiana had since been dismissed from the Civil Service and was terminated from the payroll. Further, salaries which were irregularly paid to him amounting to K181, 966 had been recovered from his leave terminal benefits through the casualty forms. Dr. Andrii Goriachev's salary remained locked and the recovery of K116, 158 which was irregularly paid would be effected as soon as the Ministry of Health received a response from Public Service Management Division on the recommendation for his dismissal.

The Human Resource Department had since streamlined its operations by allocating desk officers in each department to enhance communication with Heads of Departments. Management had also enhanced internal controls through bi- annual payroll audits instead of the usual annual payroll audit. The Controlling Officer informed the Committee that the Senior Medical Superintendent - Adult Hospital had since been charged with the offences of poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service.

Committee's Observations and Recommendations

The Committee is dismayed with the irregular payment of salaries and laxity exhibited by the human resource officers at UTH and directs the Controlling Officer to strongly caution management. The Committee further directs the Controlling Officer to submit documents relating to Dr Mubiana to the Auditor General for verification. The Committee will await an update on the recovery from Dr. Goriachev.

16.5.2 Failure to Remit Tax

The Controlling Officer submitted that the Senior Medical Superintendents for Adult Hospital and Children Hospital had been charged with the offences of poor supervision, negligent failure and non-compliance with established procedures or standing instructions in accordance with the Disciplinary Code for Handling Offences in the Public Service. The Ministry of Health had since devised a plan to settle the unremitted tax into four instalments to be made to ZRA and an amount of K115, 346 had since been remitted to ZRA. To avoid the recurrence in future, management ensured that all payments of PAYE to ZRA were prepared as and when the payments for locum and settling in allowances were paid.

Committee's Observations and Recommendations

The Committee finds it highly irregular that UTH deducted various taxes in amounts totalling K441,208 during the period from February to July 2019, but has not remitted the money to ZRA. The Committee sternly cautions the Controlling Officer against this and further directs that all documents supporting the submission that K115, 346 has since been remitted, should be submitted to the Auditor General for verification. The Committee urges the Controlling Officer to ensure that the outstanding amount is urgently remitted. The Committee will await an update on the matter.

17.0 Zambia Institute for Tourism and Hospitality Ministry of Tourism

An examination of financial and other records maintained at the Zambia Institute for Tourism and Hospitality for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

17.1 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that Zambia Institute for Tourism and Hospitality (ZITHS) recorded a negative variance of K20,569,047 against the budget of K67,545,778. The Controlling Officer informed the Committee that the adverse variance included the underfunding from government of K4, 415,412 and failure to reach the projected internally generated revenue by K16, 153, 635. He further submitted that the underfunding of K4, 415,412, was due to inadequate funding received from Ministry of Finance and management had made a follow up on the matter but to no avail.

The Committee learnt that failure to meet projected revenues was as a result of the Institute experiencing declining business opportunities a factor which caused adverse variance on internally generated revenue. To resolve the query, management through the Governing Council was working on a business turnaround strategy which included, recapitalisation, modernising the facilities, upgrading of the facility engagement of an equity partner.

Committee's Observations and Recommendations

While noting the Controlling Officers response, the Committee observes with concern that the Institute failed to take advantage of its close location to the Central Business District and recorded declining revenues due to declining business opportunities. The Committee resolves to await a progress report on the implementation of the turnaround strategy and urges the Controlling Officer to provide a time framw within which implementation will be actualised.

17.2 Financial Analysis
17.2.1 Financial Performance - Statement of Comprehensive Income

The Controlling Officer submitted that the observation by the Auditor General with regard the Institute's financial performance was correct as indicated in the Table below.

Details	2019 (Draft) K	2018 K	2017 K
Assets			
Non Current ssets	24,439,728	23,283,121	25,075,401
Current Assets			
Inventories	66,904	83,048	76,343
Account Receivables	1,916,607	2,050,520	2,237,250
Cash & Bank Balance	66,241	200,536	356,710
Total Current Assets	**2,049,752**	**2,334,104**	**2,670,303**
Total Assets	**26,489,480**	**25,617,225**	**27,745,704**
Equity and Liabilities			
Capital	2,465,041	2,465,041	2,465,041
Capital Grants	2,009,977	1,199,500	
Revaluations Reserves	20,956,990	19,187,710.00	22,283,819.00
Accumulated deficit	(8,296,111)	(6,995,751)	(5,231,745)
Total Equity	17,135,897	15,856,500	19,517,115
Non Current Liabilities			
Long Term Statutory Liabilities	6,229,160	4,457,313	3,543,898
Long Term Provisions	-	1,681,021	1,911,963
Total Non Current Liabilities	6,229,160	6,138,334	5,455,861
Current Liabilities			
Current Statutory Liabilities	1,286,115	1,335,122	971,936
Account Payables	1,838,308	2,287,269	1,800,792
Total Current Liabilities	3,124,423	3,622,391	2,772,728
Total Liabilities	9,353,583	9,760,725	8,228,589
Total Equity and Liabilities	**26,489,480**	**25,617,225**	**27,745,704**

He further informed the Committee that management was in agreement with the Auditor General's observations with regard; recurring Losses, negative working capital and current ratio. The Controlling Officer informed the Committee that management acknowledged the observations and regretted the status quo.

The Committee learnt that the declining performance of the institute was due to declining business opportunities and under funding from government. As a result, the Institute experienced recurring losses, negative working capital and declining current ratio.
The Controlling Officer informed the Committee that to respond to the declining business opportunities, management had come up with among other measures a strategy of not employing new staff not until the financial situation of the institute improved, a measure which would help reduce on expenses.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that managements takes a more robust approach to improve the operations of the Institute as opposed to only relying on one measure which might add substantial value to the prevailing circumstance. The Committee resolves to await a progress report.

17.3 Operational Matters - Failure to Conduct Tourism Research and Consultancy

The Controlling Officer informed the Committee that the observation by the Auditor General that the Institute failed to undertake or facilitate tourism research, studies or surveys in order to develop tourism, and consultancy in tourism, in line with Section 5(1)(c) of the *Zambia Institute for Tourism and Hospitality Studies Act No. 42 of 2016*, was correct and regrettable. The Controlling Officer further submitted that the situation arose as a result of the Institute`s challenging financial position as it was not able to fund tourism research due to lack of financial capacity. In this regard, the Institute had restricted itself to desk research. It was, however, envisioned that once the financial position of the Institute had improved, management would revert to conducting of tourism research. He further informed the Committee that management was hopeful that the Ministry would assist in this venture considering that an allocation had been made in the 2022 budget.

Committee's Observations and Recommendations

While noting the response, the Committee is of the considered view that the Institute failed to take responsibility of the failures and blamed everything on lack of sufficient funding. The Committee directs the Controlling Officer to enhance supervision of the entity which is supposed to champion activities and programmes in the tourism sector that adhere to innovation and the use of tourism as an economy generation activity and an employer of many Zambians. The Committee directs that a time frame should be provided when tourism research will commence. The Committee will await a progress report on the matter.

17.4 Procurement Matters - Over Payment of Security Services K 107, 850

The Controlling Officer submitted that the observation by the Auditor General that there was an overpayment to Giant Eagles Security Services for the provision of security services at the Institute amounting to K107, 850 was correct. The controlling Officer informed the Committee that the difference was as a result of the extra guard deployed at the Executive Director`s (ED) house in line with the condition of service. However, in the initial contract, the guard for the ED`s house was not included in the contract signed despite total security costs were being paid by the Institute. The lapse was normalised by having a new contract signed, which included a guard at the Executive Director`s house.

Committee's Observations and Recommendations

The Committee is perturbed with the laxity manner in which the Institute managed the payment and engagement of an extra guard. The Committee is of the considered view that the payments advanced to the extra security guard at the ED's residence without a formal contract were irregular in as much as the ED was entitled. The Committee finds the response inadmissible and strongly urges the Auditor General to conduct an inquiry in the matter and to bring to book any officer who will be found to have operated outside the normal procedure of procurement. The Committee resolves to await an update on the matter.

17.5 Accounting Irregularities

17.5.1 Failure to Renew Lease Agreements

The Controlling Officer submitted that the observation by the Auditor General that ZITH had not renewed lease agreements for five tenants and that it was owed K91, 600 in unpaid rentals was correct and regrettable. Management terminated the contracts for the cited defaulting tenants and going forward management would adhere to the conditions provided for in the lease agreements. Management wrote demand letters requesting for the payments and some tenants had responded positively by making payments.

Committee's Observations and Recommendations

The Committee observes with concern the reactive manner in which management operated as it's the Committee's considered view that management only began to take action on defaulting tenants after the audit exercise. The Committee directs the Controlling Officer to institute disciplinary action on all officers and their substantive supervisors who failed to execute their duties diligently. The Committee further directs that all the outstanding rental payments should be collected timeoulsy. The Committee resolves to await a progress report on the matter.

17.5.2 Failure to Collect Tuition Fees and Subsequent Write off of Bad Debt

The Controlling Officer submitted that management acknowledged the Auditor General's observations as correct. He further informed the Committee that the uncollected tuition fees were mainly as a result of some students who dropped out of school due to some financial challenges while others who remained with small balances had had their qualifications withheld by the school.

Management had remained very active on this matter such that some money had been recovered from the students who would request to be readmitted into school and those that wanted to collect their qualifications. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit all documents in spoor to the submission to the Auditor General subject to which the matter should close. The Committee urges the Auditor General to keep the matter in view during future audits.

17.5.3 Failure to Collect Debt K 1,201,082

The Controlling Officer acknowledged the Auditor General's observation as correct. He further informed the Committee that the Government had most of the overdue balances through ministries/organisations which did not pay the Institute at the time of the audit and others had remained unpaid to as at the time of reporting. Management had put in place measures of requesting for upfront payments and aggressive debt collection and a case in point was where the Ministry of Chiefs then, managed to liquidate the debt while others were being followed up.

Committee's Observations and Recommendations

The Committee finds it unacceptable that an entity that is grappling with financial challenges failed to collect debt and had continued to offer services to clients that owed it money. The Committee reiterates its recommendation for the Controlling Officer to enhance supervision of the Institute. The Committee further directs that all outstanding uncollected funds should be collected without further delay. The Committee resolves to await a progress report on the matter.

17.5.4 Non-Remittance of Statutory Contributions

The Controlling Officer submitted that management accepted and agreed with the Auditor General's observations. He further submitted that failure to pay statutory obligations was caused by erratic funding from government and the declining business opportunities. The Committee learnt that management was working on improving business opportunities for the institute through increasing number of courses offered at the institute. Among the courses to be introduced was cabin crew. Going forward management would engage NAPSA on possible business partnership that might lead to entering into debt swap model. Further, management would continue lobbying for an increased budgetary allocation and funding to the Institute.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the matter.

17.6 Management of Assets

17.6.1 Lack of Title Deeds

The Controlling Officer submitted that the observation by the Auditor General that ZITHS did not secure title deeds for its Lusaka Campus situated on corner of Church and Protea roads valued at K17,500,000 comprising land (K4,300,000) and buildings (K13,200,000) was correct and regrettable. The Controlling Officer informed the Committee that the biggest was inertial at the ministry holding title transfer ownership to ZITHS, a matter, which was brought to the attention of higher authorities**.** Management was seriously following up the matter of title deed which was held by Ministry of Higher Education at the time and management was hopeful; that a conclusion would soon be reached.

Committee's Observations and Recommendations

While noting the response, the Committee finds it awkward that the Institute failed to have the title transferred into its name and that it has taken such an inordinate time. The Committee directs the Controlling Officer to take lead and engage the counterpart Controlling Officer in the Ministry of Education to resolve the matter expeditiously. The Committee resolves to await a progress report on the matter.

17.6.2 Failure to Insure Assets

The Controlling Officer informed the Committee that the observation by the Auditor General that ZITHS did not insure its assets valued at K19, 874,922 was correct. Management had engaged insurance companies and non-current assets would be insured as recommended by the auditors going forward.

Committee's Observations and Recommendations

The Committee finds it unacceptable that management had to await for the auditors for them to realize the importance of insuring its assets. The Committee directs the Controlling Officer to institute disciplinary measures for officers to be more proactive and to take their work with the seriousness it deserves. The Committee resolves to await an update on the matter.

18.0 Zambia National Broadcasting Corporation Ministry of Information and Media

An examination of financial and other records for the Financial Years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer submitted as set out below.

18.1 Budget and Income

The Controlling Officer informed the Committee that the reasons for poor performance against the budgeted amounts experienced during the three years included the following:

(i) with the liberalisation of the broadcasting industry that came with digitisation during 2017, the Corporation faced growing competition from the increased number of private radio and television stations. Competitive pressures culminated into reduced market share as the major advertisers such as Trade Kings spread their adverts across many broadcasting firms in their pursuit of covering wider audiences. The new entrants in the broadcasting industry also used low pricing competitive strategies that the Corporation was constrained to adopt due to the Corporation's huge cost structure;

(ii) the Corporation did not receive any projected dividends from MultiChoice and GOtv budgeted at a total of K52 million for the three years;

(iii) some regular customers reduced their expenditure on advertising and marketing activities during periods of economic downturn. Further, the government funded institutions also reduced their expenditure due to the austerity measures that were taken by the Government of the Republic of Zambia;

(iv) lack of compelling content to attract audiences and advertisers .Due to poor liquidity the Corporation was constrained to adequately invest in content; and

(v) with the advent of COVID 19, some business operations were disrupted leading to some customers reducing their advertising expenditure.

The Controlling Officer submitted that despite the revenues not reaching the budgeted levels, the Corporation recorded 34 per cent growth in revenue from 2019 to 2020 and has continued on the growth path into 202. Furthermore, to resolve the query, management undertook to implement the following:

(i) the Corporation devised strategies to boost revenue through reconceptualisation of TV3 into a mixed genre channel to include sports and other entertainment. TV 3 was predominantly churning out only christian programmes;

(ii) production and airing of virtual graduation ceremonies;

(iii) intensified productions of live broadcasts;

(iv) creating advertising space during Ministry of Health COVID-19 updates; and

(v) revenue/cost sharing arrangements for production of some programmes.

Other efforts the Corporation was undertaking to boost income were:

(i) land development project for Twin Palm where the Corporation intended to get into a Public Private Partnership, was under consideration by PPP Unit at the Ministry of Finance and National Planning to provide guidance on how to proceed;

(ii) the Corporation had reached an advanced stage to monetise the online content to generate revenue and a solution provider had already been contracted to spearhead the implementation of the Over The Top (OTT) project and that the online Content, for which there was overwhelming response from the market with twenty seven bidders, had been evaluated which the Corporation's Procurement Committee which would deliberate before the end of the 2021;

(iii) the Corporation had also partnered with Airtel to generate revenue for online Content and in addition, the Corporation had heightened engagement with the corporate entities and Universities (Graduation Ceremonies) to use the Outside Broadcast facilities as a way to boost income to the Corporation

The Committee also learnt that ZNBC had a challenge with high staff costs which eroded it income. This was exacerbated by recruitment of staff on contracts as opposed to permanent and pensionable as ZNBC had to pay gratuities to these employees. The Committee also heard that ZNBC had not projected the expected cash flow from the development of the twin palm land.

Committee's Observations and Recommendations

While noting the Controlling Officer's response, the Committee observes with concern that ZNBC management failed to forecast the growing competition which is a sign of poor planning on the part of management. The Committee is also disappointed to learn that management has not forecast how much will be generated from developing twin palm land. The Committee is further perturbed to note that since 2016, Multi choice and GoTv have not paid dividends when to the contrarily the later have continued to grow the viewership base. The Committee directs the Controlling Officer to ensure that management must find a permanent solution with regard increase in staff costs. The Controlling Officer should also ensure that it submits a comprehensive report with respect to development of twin palm land. The Committee also recommends that ZNBC should ensure that it enhances improvement of its content in comparison with Dstv. The Committee resolves to await a progress report on the matter.

18.2 Financial Analysis

18.2.1 Statement of Comprehensive Income

(i) Declining Revenues

The Controlling Officer submitted that the Corporation recorded a decrease in programming and advertising income by K5,452,493 from K66,205,381 in 2017 to K60,752,888 in 2019 due to the following factors:

(a) with the advent of COVID 19, some business operations were disrupted leading to some customers reducing their advertising expenditure;
(b) reduction in advertising expenditure by some grant aided clients because of the government austerity measures;
(c) some traditional advertisers switching to alternative platforms for advertisements due to reduced television viewership hours caused by long periods of load shedding; and
(d) lack of compelling content to attract audiences and advertisers.

The Controlling Officer apprised the Committee that to improve programming and advertising income the management undertook took to implement the following measures:

(a) in line with the turnaround strategy, the Corporation had embarked on new revenue generating initiatives such as utilising online media for broadcasting services. The Solution provider for online media platform was engaged during 2021 and the solution was likely to be available for use in revenue generation by first quarter, 2022. However, other online platforms like the partnership with Airtel was already generating revenue. As at 20th October 2021, the Corporation was advised by Airtel that ZNBC would be receiving K400,000 from the online platform;
(b) amidst liquidity challenges, the Corporation had increased investment in both foreign and local content to increase viewership and attract sponsorship with the ultimate objective of increasing revenue. Investment in Content was at very low levels of K65,000 in 2017; K161,177.75 in 2018; K85,000 in 2019. During 2020, content expenditure was K2,799,482.96 and the Corporation had continued the trajectory to invest funds in content to garner sponsorship for programs. Investment in local content for the 2021 budget was pegged at K25,864,600 with actual expenditure as at the end of 2021 being K5,263,881; and
(c) the Corporation had embraced the ''new normal'' and created advertising opportunities for clients who were willing to run Covid-19 related adverts and programmes by fostering a performance led culture and being aggressive.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on improvement of the content so as to increase viewership.

(i) Unsustainable Administrative Expenses and Unsustainable Staff Costs

The Controlling Officer submitted that the observation by the Auditor General that the entity was incurring administrative expenses higher than the revenue that was being generated as shown in the Table below was correct and regrettable.

Table 0.1: Administrative Expenses as a percentage of Revenue

Details	2019 K	2018 K	2017 K
Revenue	105,525,303	115,010,256	107,896,150
Administrative Expenses	193,620,254	169,766,121	195,709,599
Administrative Expenses %	**183%**	**148%**	**181%**

The Committee also heard that the administrative expenses related to staff expenses accounted for 84 per cent in 2017, 88 per cent in 2018, and 89 per cent in 2019 of the total administrative expenses.

The Controlling Officer further submitted that the unsustainable staff costs largely contributed to the unsustainable administrative, staff costs included terminal benefits and emoluments. The administrative costs accounted for over 100 per cent of total revenue due to the relatively large staff compliment. Staff costs had persistently been higher than the generated revenues and collected funds. She further submitted that from 2017 to 2019 the staff compliment was as outlined at table below.

Table 18.6 b – Staff complement

Employment status	2017	2018	2019	2020	2021
Permanent & Pensionable	500	445	437	433	387
Contract staff	44	68	67	63	64
Temporal employees	75	38	55	55	66
Total	**619**	**551**	**559**	**551**	**517**

The Controlling Officer informed the Committee that to resolve the query the measures set out below were embarked upon.

(a) Management had over the years considered the option of reducing the workforce in order to align the staff costs to the revenue levels. During 2020 the Corporation made recommendation to scale down the number of staff with a view to aligning costs to the generated revenues. Further, management in consultation with the external parties (Grant Thornton) reviewed the operations with the view to establishing an ideal staff complement. The Grant Thornton report was further subjected for scrutiny by Management Development Division (MDD) for the purpose of assessing and establishing the optimal staffing levels for the institution. Management was working towards the implementation of the organisation structure in line with the guidance given by MDD.

(b) A reduction in staff numbers had been recorded from 2017 to 2021 as management had continued to implement strict controls on recruitment except for critical areas. Despite the slight reduction in staff numbers, no significant reductions in staff costs had been recorded largely on account of retaining retired employees on payroll pending payment of retirement benefits. Management had noted that significant cost reductions were likely to be achieved by automating all operations through an integrated Enterprise Resource Planning (ERP) system and reduction in staff numbers. Reduction in staff numbers may require adjustments to be made in programming activities to levels that could be managed by lower staff numbers. In order to actualise the reduction of the staff strength, the Corporation would require financial support to finance payment of the separation packages.

Committee's Observations and Recommendations

The Committee observes with consternation the upsurge in staff costs in comparison with the revenue generated which paints a very gloomy picture with regard to ZNBC being a viable going concern. The Committee directs the Secretary to the Treasury to intervene with regard the payment of terminal benefits so as to reduce the staff that have retired but are still drawing a salary. The Committee resolves to await a progress report on the implementation of the organisation structure in line with the guidance given by MDD. The Committee further directs that management should submit an updated status on the implementation of the Enterprise Resource Planning (ERP) system that is envisaged to automate most operations.

(ii) Unsustainable Other Operating Expenses

The Controlling Officer informed the Committee that over 90 per cent of the other operating expenses were the NAPSA penalties on unpaid contribution and on payment of overdue contributions. The Controlling Officer informed the Committee that measures to achieve cost reductions included the following:

(a) limiting expenditure to critical areas of operations;

(b) with financial support from GRZ through monthly grants, the NAPSA Contributions from December 2020 to September 2021 had been paid in full. Hence no penalty charges would arise on these Returns. Further, the Corporation liquidated part of the accumulated liabilities amounting toK870,858,798 as at 30th September 2021 through debt swaps. Engagements with NAPSA to find a lasting solution to the problem of accrued liabilities and penalties had continued.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to promptly intervene in the matter. The Committee will await a progress report.

18.2.2 Financial Position

(i) Current Ratio

The Controlling Officer informed the Committee that it was regrettable that the ratio for ZNBC was below the acceptable standard for the period under review as shown in the Table below.

Table 0.2: Current Ratio

Details	2019 K	2018 K	2017 K
Current Assets	36,191,231	55,262,516	24,391,505
Current Liabilities	1,927,740,727	1,473,709,352	1,392,432,470
Current ratio	**0.02:1**	**0.04:1**	**0.02:1**

She further informed the Committee that the poor current ratio was largely on account of poor liquidity that had led to increase in liabilities. The Committee heard that mitigating measures had been taken to improve the current ratio among them were the following:

(a) one of the major long-term liabilities, the Multichoice Africa Loan, that stood at K111,756,699 as at 31st December 2019 was fully settled during 2020 through a debt swap and net settlement; and

(b) the Corporation had been working towards not increasing its liabilities by paying for the current statutory bills (NAPSA, PAYE, VAT, NHIMA) and other suppliers of critical goods and services. For this cause all the statutory liabilities from December 2020 to September 2021 had been fully settled.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that all documents in support of the submission are submitted to the Auditor General subject to which the matters should close.

(ii) Receivables Days

The Controlling Officer submitted that the observation by the Auditor General ZNBC had debtors who exceeded the credit period of thirty days by sixty three, 166 and 147 days in 2017, 2018 and 2019 respectively was correct and regrettable. The Controlling Officer further informed the Committee that there had been an increase in receivables days over the period due to slow payment rates by most consumers. The Committee learnt that the following actions had been taken to reduce the receivable days to within the credit period:

(a) the Credit Policy was revised during 2020 and 2021 with a view to enhance the credit management strategies and measures had been reinforced to ensure that credit vetting was undertaken for all contracts before execution;

(b) the Corporation had continued to apply itself at ensuring that it collected the amount owed by its customers within the credit period; and

(c) the Corporation had embarked on installation of the Enterprise Resource Planning (ERP) system to foster more effective monitoring and control of the management of debtor balances and accumulation of receivable balances.

(iii) High Debt Ratio

The Controlling Officer submitted that the observation by the Auditor General that ZNBC had a debt ratio ranging from 746 per cent, 676 per cent and 291 per cent in 2017, 2018 and 2019 respectively, was correct and regrettable. She further submitted that this arose due to poor liquidity. The Controlling Officer reiterated that measures taken to improve the current ratio would mirror the measures taken to reduce the debt ratio.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that all documents in support of the submission are submitted to the Auditor General. The Committee resolves to await an update on the matter.

18.3 Operational Matters - Management of the National Digital Terrestrial Television Migration Project

18.3.1 Weaknesses in the Management of the Migration Project

The Controlling Officer submitted that the observation by the Auditor General that ZNBC had engaged StarTimes at contract price of US$273,154,281 to undertake all projects works under Phase II and III of the National Digital Terrestrial Television Migration Project implemented by ZNBC and Topstar as end users was correct. She further submitted that it regrettable that most of the works had not been completed even though the sites had been handed over to ZNBC. She further informed the Committee that the contractor, StarTimes had not been able to complete the project on account of lack of funding from Exim Bank. She further submitted that the completion of the construction of the provincial studios had delayed due to the interruption of the loan disbursement for over a year since December, 2019. In that regard, the contract had been extended to 18th December, 2022 to allow for the completion of the studios, installation of studio equipment and commissioning and operational Acceptance testing and Certification. The Ministry of Finance and National Planning had also been engaged to intervene over the pending payments by Exim Bank of China to the Contractor- StarTimes Software Technology Company Ltd so that the project could be completed within the extended period of upto 18th December, 2022. The Committee also learnt that Exim Bank was dealing at a bilateral level but had stopped to finance any projects as the Government of the Republic of Zambia had to settle its outstanding obligations.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to intervene in the matter. The Committee further directs management to ensure that the project sites are secured so as to safe guard the infrastructure from vandalism. The Committee resolves to await an update on the matter.

18.3.2 Lack of Oversight over TopStar

The Controlling Officer submitted that the query arose because there were no audited Financial Statements from TopStar and the equipment for Phase 1 meant for Digital Migration not valued. To resolve the query a Board meeting was held to iron out issues pertaining to governance of TopStar and the meeting resolved that the company needed to appoint an audit firm since the previous audit firm had not provided audit reports. Subsequently, a termination of service for the previous audit firm was made by TopStar and a new Audit firm engaged. Furthermore, in the absence of audited books of accounts, TopStar availed financial statements for 2017,2018 and 2019 though they were in Chinese language. With respect to the value of the equipment for Phase 1 of the Digital Migration, a team was constituted composed of staff from Government Valuation Department. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee observes with concern the lack of oversight over TopStar. The Committee finds the reasons advanced inadmissible as there is laxity in the manner in which the matter was handled. The Committee is of the view that ZNBC should have taken a more proactive role considering that its investment in the company is on a loan basis from Startimes, and in an event that Topstar fails to declare dividends due to poor performance, ZNBC would be liable to source for the funds and pay the loan. In this regard, the Committee strongly urges the Controlling Officer to enhance supervision of the entity and urges the Secretary to the Treasury to take interest in the matter. The Committee also finds it awkward that the financial statements were in Chinese as opposed to English which is the official language. The Committee directs that going forward, financial documents must be in English which is the official language. The Committee resolves to await an update on the matter.

18.3.3 Weaknesses in Implementation of Subsidiary Credit Agreement

The Controlling Officer submitted that the Corporation did not incorporate strategies for Digital Terrestrial Television (DTT) loan repayment and did not also include loan repayment plans in its budgets because it was apparent from the planning stage that due to market size limitations, as evidenced by the IPSOS reports, the Corporation could not realise sufficient revenues to finance loan repayments as well as finance operations. Over the years, the Corporation had been unable to make loan repayments through the Airtime revenues that were realised from utilisation of the renovated studios and the OB Vans as required in the End User Agreement because inadequate revenues had been realised. Thus, the Corporation had continued to engage the Ministry of Finance for intervention to avoid defaulting in honouring the loan payment obligations.

Committee's Observations and Recommendations

The Committee is disappointed with the response from the Controlling Officer. The Committee finds it unacceptable that management was willing to sign up for a credit facility when it was certain that it did not have the capacity to pay the loan. In that regard, the Committee is of the considered view that this should have been communicated to the Ministry of Finance and National Planning. The Committee directs the Controlling Officer to take a proactive approach in the supervision of the entity and should ensure that ZBNC should only acquire credit for which it has capacity to pay. The Committee resolves to await an update on the conversations that are being held with the Ministry of Finance and National Planning.

18.4 Management of Infrastructure
18.4.1 Failure to Secure Title deeds for the Corporation

The Controlling Officer submitted that the observation by the Auditor General that, ZNBC had not secured title deeds on which twelve of its properties in various parts of the country were located was correct and regrettable. The Controlling Officer further submitted efforts o acquire tile had been embarked on though with numerous challenges. However, since the audit query was raised, the Corporation wrote to all Provincial Lands Officers to request for assistance for the Corporation to obtain title to its properties. She further submitted as set out below.

(i) The Corporation tasked its Senior Maintenance Engineers (SMEs) in the provinces to assist in physically engaging the provincial lands officers to expedite the acquisition of tile.
(ii) The Corporation had made some progress on five properties, two in Kasama, one in Mansa and another one in Kapiri Mposhi.

The Controlling Officer further apprised the Committee with the status of the progress made on various properties belonging to the Corporation as outlined below.

(i) Kasama – Milima Area (Provincial Studios) (F/KASAM/4020517)
(ii) Kasama – Town area – KAS/1/B

The above two pieces of land were surveyed and diagrams produced. Invitation to Treat and offer letter were issued and ZNBC paid for registration and preparation for Title Deeds. The Corporation awaited the issuance of the Title Deeds for these two properties. It was worth noting that the property in the town centre was a subdivision of a property that was being shared by ZESCO and ZAMTEL.

(iii) Mansa Transmitters

The property in Mansa had been surveyed and diagrams produced. The Corporation was waiting for the Invitation to Treat and Offer Letter from the Ministry of Lands at Mansa Provincial Office.

(iv) Chipata - Msekera area (Provincial Studios) -Chipata – Town area

The diagrams that were originally paid for, for the Town Office and Msekera in Chipata and prepared by the provincial office could not be traced. The Corporation through the SME in Chipata was pursuing the matter.

(v) Mongu Transmitters (Provincial Studios)

The plan's drawings were submitted to Ministry of Lands in Mongu, who subsequently submitted to Head Office in Lusaka. Feedback was being awaited as the Regional Engineer was following up with the Provincial Lands Officers.

(vi) Solwezi Transmitters

Survey drawings had been done by Northwestern Province Surveyors Department and that the council had been written to in order to approve them.

(vii) Kapiri Mposhi Transmitters

The Corporation engaged the Kapiri Mposhi Municipal Council to assist with the site plan for the land. In the meantime, internal process to engage a surveyor through the procurement system where still ongoing.

(viii) Kabwe Provincial Studios

The property in Kabwe was demarcated and allocated but there was no trace of any documentation that the land was given to ZNBC. The Corporation was advised to start the process by officially applying for title to the land and this was done. The Corporation awaited the Kabwe Council to sit and formally offer the land to ZNBC. The Corporation also established that the land in Kabwe was numbered as KABW LN_32137/1. Further engagements with the officers at the council had continued.

(ix) Shorthorn Transmitters (Lusaka West)

The land at Shorthorn, West of Lusaka along Mumbwa Road were mapped to determine its extent. During this exercise, it was discovered by the Ministry of Lands surveyors in Lusaka that the ZNBC land was sitting on other pieces of land already on title. This matter was referred to the Registrar of Deeds who was yet to advise on the way forward.

The Controlling Officer also stated that documentary evidence was avaible for verification and that the Corporation was relying on officers from the Ministry of Lands to help with the acquisition of titles for the properties that were not on title.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close. The Committee further urges the Auditor General to keep the matter in view during future audits.

18.4.2 Encroachment at Msekera Site

The Controlling Officer submitted the land had been Encroached due to Inactivity for a long time on the land by the Corporation. She further submitted that the Chipata Municipal Council was engaged to help resolve the matter and feedback was being awaited. Documentary evidence was viable for verification.

Committee's Observations and Recommendations

The Committee is perturbed to note that ZNBC is reactive as opposed to being proactive in the management of land. The Committee finds the response to lack the seriousness the matter deserves as awaiting for feedback from Chipata Municipal Council only allows more people to encroach the land, The Committee strongly urges the Controlling Officer to promptly engage the law enforcement agencies to quickly move into remove the encroachers so as to preserve state land . THE Committee will await an update on the matter.

19.0 Zambia National Building Society Ministry of Finance and National Planning

An examination of financial and other records maintained at the Zambia National Building Society (ZNBS) headquarters and selected district offices for the Financial Years ended 31st March 2018, 2019 and 2020 revealed various irregularities to which the Controlling Officer submitted as set out below.

19.1 Management – Dismissal of the Former Managing Director

The Controlling Officer submitted that the Board held an extra ordinary meeting on 3rd January 2020 to consider the Contract of employment of Mr Joseph Chikolwa, the Chief Executive Officer. At the meeting, the Board resolved to implement the decision of the Government and resolved that the Contract of Employment of the Chief Executive Officer be terminated in accordance with the provisions of the Contract of Employment dated 5th December 2018.

Regarding the settlement amount, it was confirmed that the matter between the former Managing Director and the Society was settled through mediation and the amount of K 1.2 million was paid to him. In coming up with the amount the following was considered:

a) An independent opinion was sought from Shamwana and Co that indicated that the Society consider paying the former Managing Director twelve (12) months' pay only. This was due to the fact that in a similar case of Noriana Muneku vs ZNBS, the High Court awarded Ms Muneku twelve months' pay as damages.
b) During the sitting of the Interim Board on 24th September 2020, the matter was presented, and the Board resolved to approve the range of the mediation settlement claim as follows:
   i. twelve months' gross salary minus the 3 months paid in lieu of notice as option 1; and
   ii. twelve months' gross salary of K1,669,067.49 as option 2.

The mediation settlement amount translated to a nine-month gross salary payment.

Committee's Observations and Recommendations

The Committee expresses concern at what appears to be the recurrence of wrongful, unlawful and unfair dismissal of the Managing Directors at ZNBS and is of the view that a costly precedent has been set in the payment of settlement amounts. The Controlling Officer is sternly cautioned to ensure that dismissals are done on firm grounds as going forward, payment for unwarranted dismissals will be deemed as wasteful expenditure. The Committee resolves to close the matter, subject to audit verification.

19.2 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that the Society had an income budget of K 914,490,000 against which amounts totaling K 683,685,000 were collected resulting in a negative variance of K230,805,000 was correct and noted.

Committee's Observations and Recommendations

The Committee observes with concern the quantum of the variance and directs the Controlling Officer to ensure that management comes up with plans that are realisable with regard to budgeted revenue and actual realised revenue. The Committee resolves to await an update on the matter.

19.3 Financial Analysis
19.3.1 Financial Performance - Statement of Comprehensive Income
(i) Profitability

The Controlling Officer submitted that the Society had recorded back-to-back profits on a monthly basis since June 2020, thereby resulting in a profit from operations of K26.4million as at 31st March 2021 (total profit including the profit on disposal of Society Business Park was K226.38million). Additionally, profit for the six months period ended 30th September 2021 amounting to K24.5million had since been recorded in the 2021 financial year. This had improved the cost to income ratio to 78.6 per cent from the 108 per cent previously. Management had set a target to reduce the ratio further to 70 per cent through both cost and revenue measures at the close of 31st March 2022. The low profitability recorded in the period under review resulted from delayed remittance of recoveries by the Payroll Management and Establishment Control (PMEC), increased loan loss provisions after implementing the *International Financial Reporting Standards* (IFRS) 9 and the abolishment of some fees deemed unwarranted by the Bank of Zambia.

The positive performance was mainly as a result of the following initiatives implemented by Management:

i. Reduction of interest expenses through paying off expensive debt

As at end of the September 2021, a total of K70.30million in expensive loans priced at an average interest rate of 29 per cent was paid off. This debt was acquired through medium term notes that were referenced to Treasury bill rates. However, Treasury bill rates significantly increased during the period from under review.

ii. Introduction of early staff separation scheme

Under this measure, a total of 40 employees separated from employment at a total cost of K25.2million which had already been incorporated in the financial statements with K6million expensed in the 2021 financial year. This resulted in reduction of monthly staff costs by K895,000.00.

iii. Wage and employment freeze

The total cost of K18.65million in performance-based salary adjustments was avoided as a result of the wage freeze imposed on senior and middle management employees in the last three years. An additional K2.91million was avoided through partial employment freeze in the same period.

As part of the strategy to mobilise affordable funds that could be used for the creation of affordable mortgages, the Board approved the sale of Society Business Park to the National Pension Scheme Authority (NAPSA) at an amount K230 million, resulting in a profit on disposal of K197.71million which was accounted for in the year ended 31st March 2021. As at 30th September 2021, the Society had received the full consideration of K230 million from NAPSA. This was invested in Government bonds, thereby increasing monthly interest income by an average of K4million. This interest income would reduce the need to borrow for lending thereby reducing interest expenses. As a result of the above measures, the Society's profitability was expected to be sustainable going forward.

Committee's Observations and Recommendations

The Committee acknowledges the response and urges the Controlling Officer to ensure that ZNBS continues on the trajectory that it has embarked on and resolves to close the matter.

19.3.2 Financial Position Statement of Financial Position

- **Debt Contraction - High Gearing Ratio**

The Controlling Officer submitted that the Society had reduced its gearing ratio to 71 per cent as at June 2021 from the initial 99 per cent reported in the Auditor General's Report. This ratio compared favourably to the market as per table below based on the published financial statements for banks and other financial institutions as at 30th June 2021.

Debt Contracted (K'000)	ZNBS	Vision Fund Zambia Ltd	MFinance	Bayport	Micro Finance Zambia	STANBIC	Absa Bank	ZANACO	Standard Chartered Bank	Citi	ACCESS	Ecobank	Atlas Mara	FNB	FIRST CAPITAL
Debt	425,063	43,195	92,101	1,045,323	49,085	725,419	985,838	3,219,151	342,140	286,573	130,182	474,456	4,375,087	714,019	234,231
Equity	599,841	67,516	32,639	1,617,508	96,299	2,717,913	1,659,898	1,614,498	808,245	416,000	546,307	866,369	1,122,034	794,845	250,595
Ratio	71%	64%	282%	65%	51%	27%	59%	199%	42%	69%	24%	55%	390%	90%	93%

However, going by the nature of Society business of acquiring liabilities from those with excess funds for onward lending to those in need (financial intermediation), gearing ratio may not be an appropriate measure of financial health. The financial health of the Society was measured by the Bank of Zambia prudential reporting guidelines which depicted the provisions of the *Banking and Financial Services Act* of 2017 on the minimum capital and liquidity requirements. Although the gearing ratio improved to as at 30th June 2021, the Society's regulatory capital was at 47.30 per cent of risk weighted assets against the minimum requirement of 10.0 per cent while liquid assets to depositor' funds ratio was at 49.92 per cent against the minimum requirement of 15.0 per cent. Further, the financial health of a financial institution was measured by the Basel III ratios such as Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) which was best practice. As at 30th September 2021, the LCR was at 176.77 while the NSFR was at 239.86 per cent against the risk appetite minimum limits of 60 per cent and 100 per cent respectively, an indication that the Society was in good financial health.

Additionally, the Society had embarked on a strategy to grow depositors' funds as an alternative source of capital. Through this strategy, depositors fund portfolio increased from K267million in March 2017 to K804.04million as at 30th September 2021.

Further, it was important to note that the Society contracted the stated debt in line with the approved Corporate Strategic Plan to acquire low-cost wholesale funds to support the growth of the mortgage book. 23 per cent of the debt acquired related to a deposit from NAPSA priced at an average of 9.5 per cent with a tenure of 30 years and an African Development Bank (AfDB) Kwacha equivalent facility accounting for 49 per cent of the debt priced at 182-day Tb plus a margin of 1.5 per cent. Both facilities were used to fund the building material loan priced at 30 per cent and the mortgage loan priced at 24 per cent. The margins from the assets created had been sufficient to meet attendant obligations arising from all facilities.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

19.4 Operational Matters
19.4.1 Mortgages without Collateral

The Controlling Officer submitted that the Society had disbursed mortgages to customers after security documents were provided and the mortgages were paid out once a lodgement schedule was provided to show that the documents were submitted to Ministry of Lands or the Council. The actual certificate of title was not uplifted at the time as it was only released after the mortgage was recorded on the same. As could be seen from the detailed schedule, the outstanding mortgage documents were either filed with the Council pending uplifting or there was a process to obtain duplicate titles after the same were misplaced or lost after lodgement.

From the 116 mortgages with a value of K 17,036,892.30, which were indicated as having no collateral documents, nineteen mortgages with a capital paid out total of K 3,330,199.02 remained outstanding. The total mortgage balance for the nineteen was K 2,554, 565.97. The following measures had been put in place to avoid this recurring and to ensure closure of the remaining nineteen mortgages.

i. The Society had been engaging the various Councils where documents were pending for Service Level Agreements to be entered into with them which would indicate how long it would take for them to register the Society's securities and return the documents. This would avoid situations of documents being retained for a long time and being misplaced after lodgement.
ii. Mortgages were only disbursed after a lodgement schedule was provided from the Council or Ministry of Lands.
iii. There had been an improvement in the process of uplifting the title deeds lodged for registration of mortgages. At the end of each month, the Society followed up on all outstanding titles lodged at Ministry of Lands and the Council to ensure that they were uplifted and retained. Where the outstanding title was not released within 15 days, the matter was then escalated to the Town Clerk at the Council of Chief Registrar at the Ministry of Lands for resolution. This had resulted in an overall improvement in uplifting of titles for mortgages disbursed from the time of the audit.
iv. The process maps had been put in place whereby the Legal Department provided monthly updates to Management and the Risk Directorate on the status of securitisation of unperfected mortgages. Quarterly updates were submitted to the Credit and Risk; and Investments Committees.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to ensure that the collateral for the nineteen outstanding mortgages is secured as a matter of urgency. The Committee will await an update on the matter.

19.4.2 Weaknesses in Management of Loan Portfolio

(i) Unmigrated Loans to Profit System

The Controlling Officer submitted that although the finding referred to fifty eight accounts, the list shared by the Office of the Auditor General had only fifty seven accounts. Management reviewed accounts on the shared schedule and confirmed that all fifty seven accounts had been fully migrated.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

(ii) Uncleared Stop Order Suspense Account

The Controlling Officer submitted that the Stop Order Suspense Account was a transit account that held funds on behalf of customers that were pending full supply of the required Know Your Customer (KYC) documentation to facilitate account opening. It, therefore, could not be zero as long as customers through their employers were setting up stop order savings accounts with the Society for savings purposes. The concern was on long outstanding amounts above 6 months, which over the last year had been reduced significantly. The Society had strengthened the internal assurance and follow up process to ensure items falling in suspense were timeously dealt with. As at 30th September 2021, there were no items older than six months as could be seen from the table below. The indicated outstanding balance of K595,846.52 in the twenty one branches fell within the six months allowable per the approved unclaimed funds policy in appendix 6. The summary details as of 30th September, 2021, were summarised in the Table below.

CONSOLIDATED STOP ORDER ACCOUNT SUMMARY												
	30th SEPTEMBER 2021					31ST AUGUST 2021				31ST JULY 2021		
BRANCH	TOTAL	> 6 MONTHS	CURRENT	%	MONTHS	TOTAL	> 6 MONTHS	CURRENT	%	TOTAL	> 6 MONTHS	CURRENT
Society House	95,704.57		95,704.57	0.00%	1 to 4 Months	101,711.61		101,711.61	0.00%	83,877.09	-	83,877.09
Permanent House	83,806.64		83,806.64	0.00%	1 to 3 Months	69,816.89		69,816.89	0.00%	85,728.08	-	85,728.08
Mongu	36,110.89		36,110.89	0.00%	1 to 3 Months	28,380.66		28,380.66	0.00%	35,897.02	-	35,897.02
Choma	8,677.25		8,677.25	0.00%	1 to 3 Months	3,954.84		3,954.84	0.00%	20,704.34	500.00	20,204.34
Chipata	36,647.14		36,647.14	0.00%	1 to 4 Months	26,408.58		26,408.58	0.00%	41,020.92	-	41,020.92
Livingstone	4,821.90		4,821.90	0.00%	1 to 4 Months	3,222.57		3,222.57	0.00%	4,273.14	-	4,273.14
Mazabuka	21,641.84		21,641.84	0.00%	1 to 4 Months	32,466.84		32,466.84	0.00%	17,041.84	-	17,041.84
Kapiri mposhi	3,114.25		3,114.25	0.00%	1 to 1 Months	753.39		753.39	0.00%	1,080.43	-	1,080.43
Nyimba	1,200.00		1,200.00	0.00%	1 to 1 Months	37.55		37.55	0.00%	37.55	-	37.55
Cosmopolitan	-		-	0.00%	N/A	-		-	0.00%	-	-	-
Kabwe	54,792.80		54,792.80	0.00%	1 to 4 Months	43,884.60		43,884.60	0.00%	67,026.00	-	67,026.00
Ndola	63,534.89		63,534.89	0.00%	1 to 3 Months	61,537.07		61,537.07	0.00%	39,370.00	-	39,370.00
Kitwe	50,524.56		50,524.56	0.00%	1 to 3 Months	21,200.75		21,200.75	0.00%	12,714.99	-	12,714.99
Mufulira	23,218.09		23,218.09	0.00%	N/A	4,646.37		4,646.37	0.00%	15,266.17	-	15,266.17
Chingola	-		-	0.00%	N/A				0.00%	-	-	-
Luanshya	600.00		600.00	0.00%	N/A	3,645.86		3,645.86	0.00%	1,700.00	-	1,700.00
Chililabombwe	16,089.12		16,089.12	0.00%	1 to 3 Months	29,476.08	3,000.00	26,476.08	10.18%	44,157.65	3,000.00	41,157.65
Kasama	29,669.35		29,669.35	0.00%	1 to 4 Months	16,065.51		16,065.51	0.00%	16,841.12	-	16,841.12
Mansa	27,142.22		27,142.22	0.00%	1 to 4 Months	27,087.21		27,087.21	0.00%	39,947.23	-	39,947.23
Solwezi	22,501.01		22,501.01	0.00%	1 to 4 Months	12,144.18		12,144.18	0.00%	27,650.53	-	27,650.53
Mpika	16,050.00		16,050.00	0.00%	1 to 2 Months	11,200.00		11,200.00	0.00%	19,850.00	800.00	19,050.00
TOTAL	595,846.52	-	595,846.52	0.00%		497,640.56	3,000.00	494,640.56	0.60%	574,184.10	4,300.00	569,884.10

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and directs him to submit documents supporting the submission to the Auditor General for verification, subject to which the matter should be closed.

19.5 Staff Related Matters - Questionable Introduction of a Self-Liquidating Car Loan

The Controlling Officer submitted that ZNBS Directors were previously entitled to personal to holder motor vehicles as a condition of service. However, in line with the Cabinet Office directive through Circular No 17 of 2016, personal to holder motor vehicles were abolished as a condition of service. To comply with the directive, conditions of service for the Directors were varied and a car allowance was introduced by the Board of Directors. This allowance allowed employees to access auto loan facilities from Stanbic Bank, Standard Chartered Bank and Public Service Micro Finance Company.

As part of the conditions attached to the car allowance, the Board capped the value of the vehicles that could be purchased by the Directors to K900,000. Based on this and gross of PAYE, an amount of K42,150 was computed as the initial proposed monthly car allowance. The Board however opted to reduce the car allowance to K34,500.00 through an advance payment of 20%. This amount attracted tax in form of PAYE which was borne by the Directors. The projected saving per Director was K281,000.00 and K1,686,000.00 where a 20% capital contribution was made compared to the option with the capital contribution for the six Directors over a period of sixty months (5 years which is the vehicle lease period). Below is the cost benefit analysis:

Option 1 – Total Cost With No Advance Payment

Option 1	One (01) Director		Six (06) Directors	
Description	Car Allowance	60 months	Monthly amounts	60 Months
Gross Amount	42,150.00	2,529,000.00	252,900.00	15,174,000.00
PAYE	15,806.25	948,375.00	94,837.50	5,690,250.00
Net	26,343.75	1,580,625.00	158,062.50	9,483,750.00
Total	**42,150.00**	**2,529,000.00**	**252,900.00**	**15,174,000.00**

Option 2 – Total Cost With 20 per cent Advance Payment

Option 2	One (01) Director		Six (06) Directors	
Description	**Car Allowance**	**60 months**	**Monthly amounts**	**60 Months**
Gross Amount	34,500.00	2,070,000.00	207,000.00	12,420,000.00
PAYE	12,937.50	776,250.00	77,625.00	4,657,500.00
Net	21,562.50	1,293,750.00	129,375.00	7,762,500.00
Total	**34,500.00**	**2,070,000.00**	**207,000.00**	**12,420,000.00**
Add: 20% Advance payment		178,000.00		1,068,000.00
Total Cost		**2,248,000.00**		**13,488,000.00**
Savings (Option 1 vs Option 2)		281,000.00		1,686,000.00

After reviewing option 1, it was noted that the Society would have incurred a total cost of ZMW15,174,000.00 for six (6) Directors over a period of 5 years.

Under option 2, it was noted that the Society would have incurred a total cost of ZMW13,488,000.00 for six (6) Directors over a period of 5 years which was lower than the total cost for option 1. This was due to the proposal to reduce the monthly car allowance to ZMW34,500 and introduce an advance payment of 20% of the cost of motor vehicle so as to make the repayments manageable. Based on this the Board approved the 20 per cent advance payment and a monthly car allowance of K34,500 instead of the initial K42, 150. For Senior Managers, ZNBS was considering procuring business motor vehicles for them to support business operations which more less operated like personal to holder motor vehicles as per the ZNBS's Transport Policy. In an effort to comply to the directive, a car allowance for Senior Management amounting to K15,000 was approved.

Further, it had also been established that it was industry practice within the financial services sector, for employers to provide a car allowance as opposed to personal to holder vehicles. The table below shows details of practice in similar institutions within the financial services sector.

No.	Institution	Entitlement	Car Allowance per month
1.	Zambia Revenue Authority	Staff motor vehicle leasing facility	ZMW47,000.00 to cover repayments and maintenance costs
2.	LASF	Staff motor vehicle leasing facility	ZMW26,250.00 to cover repayments and maintenance costs.
3.	Workers Compensation Control Board	Staff motor vehicle lease facility	ZMW22,000.00 to cover for repayments and maintenance
4.	ZANACO	Staff motor vehicle lease facility	ZMW60,000.00 to cover repayments and maintenance costs
5.	Bank of Zambia	Staff motor vehicle lease facility	ZMW41,000.00 car allowance with a quarterly car maintenance allowance of ZMW12,000.00
6.	NATSAVE	Car allowance	60% of the monthly basic pay

Following the query raised by the office of the Auditor General regarding the 20% advance payment, the Board of Directors resolved to approve the implementation of the initial car allowance of K42,150 with immediate effect and effect recovery of the 20% advance payment from the affected Directors.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's response and resolves to await a progress report on the recoveries of the 20 per cent advance payment from the affected Directors.

20.0 Zambia Postal Services Corporation — Ministry of Technology and Science

An examination of financial and other records maintained at Zambia Postal Services Corporation (Zampost) and its subsidiaries for the Financial Years ended 31st March 2018, 2019 and 2020 revealed various irregularities to which the Controlling Officer submitted as set out below.

20.1 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that Zampost generated a negative variance of K61, 047,563 against its budget of K273,577,692 from the internally generated income and a grant from the Treasury was correct. The Committee also learnt that during the period under review, the Corporation made losses in all the three years under review. The Controlling Officer submitted that the challenge to generate internal income was affected by relationship challenges with Western Union, but the matter had since been resolves. The Committee also learnt that management was undertaking implementing various such as introducing digitalis.ed post boxes to help improve the entity's financial performance.

Committee's Observations and Recommendations

The Committee observes with concern the poor performance recorded by Zampost. The Committee urges the Controlling Officer to ensure that a turnaround strategy is submitted to the Auditor General for verification subject to which the matter should close. The Committee further urges the Auditor General to keep the matter in view of future audits.

20.2 Operational Matters

20.2.1 Failure to Prepare Annual Report

The Controlling Officer submitted that the query arose because there was a lack of capacity in the finance department to adequately prepare financials. The last financial statements prepared were for the year 2012 as at October 2018. To resolve the query, a new Board of Directors and management had since been appointed. In addition management had put in place controls and brought in skilled staff. Progress in the completion of financial statements and annual reports had since been made for submission to Parliament as per the *Postal Services Act No. 22 of 2009*. Furthermore, the Controlling Officer informed the Committee that the years completed under the new management were; 2013, 2014, 2015, and 2016 and management committed to the dates below for completion of the audit and annual reports.

	Description	Date of Completion
1.	Financial Accounts for 2014/2015	28th February 2021
2.	Financial Accounts for 2015/2016	30th June 2021
3.	Financial Accounts for 2016/2017	30th September 2021
4.	Financial Accounts for 2017/2018	31st December 2021
5.	Financial Accounts for 2018/2019	31st March 2022
6.	Financial Accounts for 2019/2020	30th June 2022

The Controlling Officer further informed the Committee that the main challenge with regard capacity was that in 2014, Zampost had a poor accounting system and lacked control systems. The Committee also learnt that most of the staff responsible for the query had since been relieved of their duties from the entity. The Controlling Officer also apprised the Committee that the annual reports for 2014 to 2016 had been prepared, while the others were work in progress.

Committee's Observations and Recommendations

While the Committee notes the Controlling Officer's response, the Committee is disappointed to note that even though management has prepared the annual the reports, the activity is in futility as the documents are supposed to be prepared in time for stakeholders to use them to measure and monitor progress earmarked in the strategic plan. In this regard, the Committee urges management to be more proactive and urges the Auditor General to keep the matter in view during future audits. The Committee directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close.

20.2.2 Failure to Collect Post Box Rentals K41,827,709

The Controlling Officer submitted that lack of an automated Management Information System for invoicing, and updated payments, delayed settlement by Government departments and spending agencies was the cause of the query. He further submitted that the amount in the audit report which had been outstanding for over thirteen years was overstated owing to the distortion of data in the billing system.

The Controlling Officer informed the Committee that to resolve the query management undertook to implement the following:

(i) management had since automated the collection and billing system;
(ii) management had also created a new unit called Revenue and Debt Collection with measures of engaging external debt collectors to enhance revenues;
(iii) a new box rental system had been developed and deployed, which had a capacity to segregate inactive and active clients in the database. Management would seek Board approval to discount the uncollectable amounts.

The Committee also learnt that more than 40 per cent of the outstanding amount related to Government Ministries and spending agencies and discussions with the Treasury were underway aimed at finding means to ensure the arrears were settled under the programme to ensure domestic arrears were dismantled and that K22.18 million had been collected. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee is appalled to observe that a Government entity can have outstanding receivables for over thirteen years. The Committee finds it unacceptable that management failed to clarify, with the auditors, the specific amount which was outstanding. The Committee directs that management should take an audit exercise with the seriousness it deserves and to be proactive and not wait for the auditors for them to implement strategies to improve the operations. The Committee urges the Secretary to the Treasury to ensure that all the outstanding receivables are paid by the Government agencies. The Committee directs the Controlling Officer to submit the exact outstanding receivable amount to the Auditor General for verification. The Committee expresses concern on the proposal to discount the uncollectable amounts. The Committee will await an update on the matter.

20.2.3 Failure to Collect Commission Earned K8, 735, 747

The Controlling Officer submitted that the observation by the Auditor General that the Road Transport and Safety Agency (RTSA) owed Zampost in unpaid commission amounts totalling K 8,735,747 since 2018 was correct. He further submitted that the query arose because RSTA failed to honour the contract. The agreement between Zampost and RTSA stated that the principal was expected to pay the agent after reconciliation; however, RTSA didn't pay Zampost in full. Management sought intervention from Secretary to Treasury in May, 2021 and an amount of K8.4million had since been collected and the amount had since increased again to K 4.1million.

Committee's Observations and Recommendations

The Committee notes with concern that RTSA has not honoured its obligations provided for in the contract signed with Zampost. The Committee directs the Secretary to the Treasury to ensure that this systemic problem is resolved expeditiously. The Committee also urges the Controlling Officer to ensure that the contract is amended to provide for remedies in an event of failure by a party to honour the contract obligations. The Committee resolves to await an update on the matter.

20.3 Staff Related Matters

20.3.1 Failure to Settle Staff Obligations K 64, 377, 409

The Controlling Officer informed the Committee that during the period under review the Corporation made losses which had a negative effect on the cash-flows leading to failure to settle salary arrears. Terminal benefits had been growing on account of non-payment of salaries and retirement benefits. He further informed the Committee that following improved debt collection activities management had managed to settle all salary arrears for serving staff. Opening up of new and revived revenue streams had a positive impact on the Corporation's cash flows.

The Committee learnt that management was paying retirees from internally generated resources and that it had engaged the Secretary to Treasury over dismantling the legacy Terminal Benefits for the long-term solution for retirees. The Controlling Officer submitted that as at the time of reporting, amounts totalling K26.375 million had been settled.

Committee's Observations and Recommendations

The Committee observes with concern that failure to settle salaries and retirement benefits can lead to litigation costs in an event that the Corporation is sued and payment of interest on penalties. While noting that the Corporation has engaged the Secretary to the Treasury to assist to dismantle the retiree benefits, the Committee directs the Controlling Officer to ensure that a strategy to dismantle the arrears is formulated in an event that the Treasury does not fund them. Furthermore, the Committee directs that a payment plan must be put in place with the beneficiaries. The Committee will await an update on the matter.

20.3.2 Failure to Remit Statutory and Other Obligations K983,560,336

The Controlling Officer informed the Committee that the observation by the Auditor General that the entity at accrued outstanding statutory obligations as shown in the Table below was correct.

Table 0.1: Outstanding Obligations

No.	Institution	Principal K	Penalty/ Interest K	Total K
1	NAPSA	76,727,475	740,480,830	817,208,305
2	Workers Compensation	1,847,075	-	1,847,075
3	ZRA-PAYE	146,001,845	2,255,431	148,257,276
5	NHIMA	234,543	-	234,543
6	PSPF	1,700,000	-	1,700,000
7	ABSA - Loan Recoveries	964,140	-	964,140
8	ZSIC Life - Pension	12,168,857	-	12,168,857
9	National Union of Communication Workers	96,571	-	96,571
10	Health Institutions	1,083,569	-	1,083,569
	Total	**240,824,075**	**742,736,261**	**983,560,336**

He further submitted that during the period under review the Corporation made losses which had a negative effect on the cash-flows leading to failure to settle statutory obligations. He further informed the Committee that Zampost had a challenge with regard reconciling what the entity owed other institutions and what they equally owed. The Committee learnt that management was working on clearing outstanding debt and to seek for recapitalisation for the entity to be on the right trajectory. The Controlling Officer also informed the Committee that Zampost had been put on the grant aided list and this had a slight positive impact. He further informed the Committee that action had been taken as set out below.

(i) ZSIC Life – Pension

Management was working with ZSIC Life to regularise the issue. ZSIC was yet to verify the records before proceeding to do the actuarial valuation. In the meantime, a monthly payment plan of K50, 000 was in place.

(ii) ZRA - PAYE

Management had commenced the balance sheet restructuring as approved by Cabinet in 2016, firstly, dealing with tax component of VAT and PAYE. Both Zampost and ZRA had agreed the total tax outstanding to the tune of K241million as at September 2021. Ministry of Finance was in the process of settling the same on behalf of Zampost. The Ministry of Finance would acquire shares in Zampost for the K241million consideration. This recapitalisation, would improve the Zampost balance sheet structure.

(iii) NAPSA

Management was actively pursuing Government and other stakeholders for a workable solution to the NAPSA obligation. In the meantime, Zampost had proposed a payment plan to NAPSA.

(iv) NHIMA

Management had agreed a payment plan with NHIMA and had since put in place a standing order to ensure timely payments and prevent staff being inconvenienced.

(v) WORKERS COMPENSATION

A payment proposal had been offered to Workers Compensation and was yet to be agreed

(vi) ABSA LOAN RECOVERIES

ABSA loans recoveries for staff were converted into a corporate loan and were being serviced through a monthly standing order while union contributions were current.

(vii) HEALTH INSTITUTIONS

Management had agreed payment plans with all the health institutions. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

The Committee observes with concern that the entity is in a dare financial crisis and needs urgent bail out. The Committee finds it awkward that management has decided to convert loans acquired by staff, from ABSA into a corporate loan and question the justification for such a decision. The Committee directs that an update should be submitted to the Auditor General on this aspect and that all documents in support of the submission should be submitted t the Auditor General for verification. The Committee resolves to wait a progress report on the matters.

20.4 Accounting Irregularities - Failure to Deduct Pay As You Earn - Board Allowances K30,458.

The Controlling Officer submitted that it was regrettable that Pay As You Earn was not paid due to failure to comply with the regulations of the law. He further informed the Committee that K30, 458 had since been paid to Zambia Revenue Authority on 21st October, 2021 to regularise the anomaly as per documentary evidence.

Committee's Observations and Recommendations

The Committee notes the submission with concern that Zampost only paid the ZRA after the audit, which is a sure sign that management only acted after the audit exercise which is unacceptable. The Committee directs that disciplinary action should be meted out against all officers and their sustentative supervisors who failed to execute their role. The Committee directs the Controlling Officer to submit documentary evidence to the Auditor General for verification and to indicate whether management deducted the amounts or rarely paid from its resources, subject to which the matter should close.

20.5 Management of Assets - Outstanding Rental Income K3,075,843

The Controlling Officer submitted that pproperty rental income was manually managed in the past which resulted in non tracking of property rentals on time including late billing. He further submitted that a new system had since been developed which had improved the management of property rentals and was robust at ensuring that unpaid rentals were flagged off and followed.

In addition, a new unit to manage debt and carry out credit control had been created to follow up on all outstanding invoices. With regard the fourteen tenants who vacated the properties, management had written to them requesting for payments. The Controlling Officer further submitted that as a result of enhanced rental collection an amount of K 3.16 million had been collected as at the time of appearance before the Committee.

Committee's Observations and Recommendations

While noting the strides that have been realised, the Committee directs the Controlling Officer to ensure that management puts in place an exit strategy in an event the tenants fail to pay. The Committee resolves to await a progress report on the matter.

20.6 Management of Subsidiaries

The Controlling Officer submitted that the observation that Zampost had three (3) subsidiary companies which it wholly owned as shown in Table 20.6 below was correct. He further submitted on each of the subsidiaries as set out below.

(i) Zampost Travel and Tours Limited – Failure to Renew Operating Licence

The Controlling Officer informed the Committee that it was regrettable that the company operated without a licence contrarily to section 35 (1) of the *Tourism and Hospitality Act No13 of 2015* as at 31st January 2021 as it had expired on 31st December 2019 and had not been renewed. He further submitted that the query arose due to failure to meet licence requirements and delayed issuance of licence by the regulator. The Committee learnt that returns had since been filed and licence fee had been paid. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

While noting the Controlling Officer's response, the Committee notes with concern that failure to renew the licence was due to failure by management to meet licence requirements. The Committee directs that this could have lead to loss of business and closure of the company and the company being charged penalties. The Committee directs the Controlling Officer to mete out disciplinary action against all officers who failed to execute their duty so as to deter others from laxity. The Committee resolves to await an update on the matter.

(ii) Zampost Freight and Forwarding Ltd
(a) Failure to avail Budget

The Controlling Officer submitted that it was regrettable that the budget was not presented to the auditors during the audit visit. The budget was availed for audit verification. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that management failed to avail the budget to the auditors during the audit exercise, indicating that management does not take audit exercise serious. In this regard the Committee directs the Controlling Officer to institute disciplinary action against all officers who failed to avail the documents to the auditors. The Committee resolves to await an update on the matter.

(b) Statement of Comprehensive Income – Declining Profits

The Controlling Officer submitted that the observation by the Auditor General that the company made an operating profit of K667,459 in 2018 which decreased by 76 per cent to K161,188 in 2020 was correct. He further submitted this decline was exacerbated by the decline in motor vehicle sales and depreciation of the currency. The Committee learnt that the company embarked on a diversification agenda to offer alternative services such as clearing towers for the Ministry of Transport and Logistics and also to warehousing business. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit an update on the operations of the new ventures and their impact on income generation. The Committee will await a progress report on the matter.

(c) Inter Company Borrowing without Board approval

The Controlling Officer submitted that the observation by the Auditor General that Zampost borrowed amounts totalling K1, 973, 216 from Zampost Freight and Forwarding was correct. The Controlling Officer learnt that the query arose due to lack of oversight in corporate governance procedures. The Controlling Officer further submitted that the amounts involved had been reconciled and would be offset against management fees due to the holding company amounting to K1, 892,501.90 once Board approval was granted**.** Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee observes with concern that Zampost Freight and Forwarding lent funds to Zampost without Board approval which the Committee finds unacceptable. The Committee condemns the act to request for retrospective authority and in that regard the Committee recommends that disciplinary action should be instituted against all officers who processed the funds together with their substantive supervisors.

(d) Non-Remittance of Statutory Contributions K562,349

The Controlling Officer submitted that due to liquidity challenges the company was unable to make payments to ZRA and NAPSA. The Controlling Officer further submitted that following the diversification agenda and improved revenues, Zampost Freight and Forwarding (ZFF) had started settling the statutory obligations. The Committee learnt that as at the time of reporting, amounts totalling K103, 249 had been paid. Furthermore, ZFF was in the process of agreeing a payment plan for the outstanding balance. Documentary evidence was avaible for verification.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee directs the Controlling Officer to ensure that interventions are put in place as stop gap measure, to liquidate the debt, while the entity is still in the process of negotiating for a time to pay plan. The Committee resolves to await an update on the matter.

(iii) Post Bus Company Ltd
(a) Failure to Recover Funds K 540, 000

The Controlling Officer submitted that the observation that Post Bus Limited bought two buses from Lombesum company at a total cost of US$547,764 on hire purchase using ZSIC General Insurance as a guarantor which were not delivered 1,395 days after the deposit of 10 per cent was made and the Postbus management had not taken any action on the matter, was correct. The Committee learnt that the supplier did not have capacity to supply the buses. Management commenced arbitration proceedings against Lombesum in line with the agreement. Management was awaiting an arbitral award for enforcement.

Committee's Observations and Recommendations

The Committee is disappointed to note that the company engaged a company which did not have capacity to supply the buses. The Committee is of the considered view diligence was not done before engaging the supplier. The Committee urges the Controlling Officer to ensure that measures are put in place to ensure that the query does not recur. The Committee will await a progress report on the matter.

(b) Outstanding Staff Obligations K889, 036

The Controlling Officer submitted that the query arose due to declining revenues that led to inability to settle outstanding staff obligations. The Controlling Officer submitted that payment of dues to former employees was on-going, and that K58, 253 was paid out in the second quarter of 2021 from revenues on the Postbus operations. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission with concern considering that the trend for revenue generation shows a decline and is concerned that management may fail to pay staff obligations which may result in ligation in an event that the company was sued. The Committee directs management to put in place measures to ensure that staff turnover is prevented. The Committee will await an update on the matter.

(c) Non-Remittance of Statutory Obligations K3, 753, 864

The Controlling Officer submitted that the query arose due to declining revenues that led to inability to settle outstanding statutory obligations. Postbus management had agreed and entered into a payment plan with both NAPSA and ZRA. Management was also in discussion with NAPSA over a workable payment plan on penalties and interest.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the matter.

21.0 ZCCM-IH Industrial Development Corporation

An examination of financial and other records for the Financial Years ended 31st March 2017, 2018 and 2019 maintained at ZCCM-IH revealed various irregularities to which the Controlling Officer submitted as set out below.

21.1 Governance

The Controlling Officer submitted that the appointment of Directors to the Board of ZCCM-IH was governed by the *Companies Act No. 10 of 2017*, section 85 (1) and ZCCM-IH Articles of Association. These instruments empowered the shareholder to appoint the Directors and determine their tenure.

Committee's Observations and Recommendations

The Committee observes that the Articles of Association section 72 provides for a Board of Directors, with a minimum of seven and not more than eight members, the articles neither specifies for how long the board members will hold office nor the composition of the board. The Committee finds this arrangement to be against the tenants of good corporate governance as there is no specific guiding legislation on the composition (from which institutions members will come from) and tenure in the companies Act and Articles of association. The Committee recommends that the Controlling Officer should implore management to review the articles of association to ensure there is transparent and good corporate governance in the appointment and tenure of board members.

21.2 Budget and Income

The Controlling Officer submitted that the observation by the Auditor General that ZCCM-IH recorded a positive variance of K2,698,017,000 against its budgeted income of K794,566,000 was correct as shown in the Table below.

Year	Budget K	Actual K	Variance K
2016	164,571,000	526,312,000	361,741,000
2017	57,354,000	1,553,714,000	1,496,360,000
2018	116,965,000	796,545,000	679,580,000
2019	455,676,000	616,012,000	160,336,000
Total	**794,566,000**	**3,492,583,000**	**2,698,017,000**

Committee's Observations and Recommendations

From the table on the budget against actual collections, the Committee is of the considered view that there is an indication that management has been under projecting the revenue collection. In this regard, the Committee urges the Controlling Officer to implore management to ensure that it postulate a realistic performance with regard to budgeted and actual income. The Committee urges the Auditor General to keep the matter in view during future audits.

21.3 Financial Analysis

21.3.1 Financial Performance - Consolidated Statement of Comprehensive Income Statement of Financial Position

The Controlling Officer submitted that in the 2019 financial year, the Group recorded decreased working capital due to liquidity challenges faced by the subsidiary companies as they were unable to settle their liabilities when they fell due. These included Ndola Lime Company Limited and Investrust Bank Plc which recorded losses for the year ended 31st March 2019 of K234 million and K106 million, respectively. As the shareholder, ZCCM-IH had embarked on a transformation programme of its subsidiaries. The turnaround strategies included recapitalisation, business remodelling and engagement of technical and strategic equity partners. This was expected to result in stronger balance sheet and better financial performance of the subsidiaries. Management was confident that once fully implemented, the subsidiaries would be in a position to pay dividends to ZCCM-IH. He further submitted that ZCCM-IH had liquidated Ndola Lime and that it was in the process of de-investing from Investrust Bank.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit all documents in support of the submission to the Auditor General for verification subject to which the matter should close. The Committee further urges the Auditor General to keep the matter in view during future audits.

21.4 Operational Matters – Failure to Declare Dividends by Investee Companies

The Controlling Officer submitted that the observation by the Auditor General that only two investee companies declared dividends during the period under review as shown in the Table below was correct.

Table 21.6: Dividend from Investee Companies

No.	Investee Dividends Received	2019 K'000	2018 K'000	2017 K'000	2016 K'000	TOTAL K'000
1	Ndola Lime Company	-	-	-	-	-
2	Misenge Enviromental & Technical Services Limited	-	-	-	-	-
3	Nkandabwe Coal Mine Limited	-	-			-
4	Mawe Exploration & Technical Services Limited & Nkandabwe Coal Mine Limited	-		-	-	-
5	Kariba Minerals Limited	-	-	-	-	-
6	Maamba Collieries Limited	-	-	-	-	-
7	Mopani Copper Mines	-	-	-	-	-
8	Konkola Copper Mines	-	-	-	-	-
9	Kansanshi Mining Plc	44,760	149,136	-	11,869	205,765
10	Copperbelt Energy Corporation Plc	88,563	50,705	41,330	36,913	217,511
11	CEC Africa Investments Ltd (CEC Africa)	-	-	-	-	-
12	Lubambe Copper Mine Limited	-	-	-	-	-
13	CNMC Luanshya Copper Mines Plc	-	-	-	-	-
14	NFC Africa Mining Plc	-	-	-	-	-
15	Chibuluma Mines Plc	-	-	-	-	-
16	InvestrustBank Plc	-	-	-	-	-
17	Chambishi Metals Plc	-	-	-	-	-
18	Nkana Alloy Smelting Company Limited				-	
19	Rembrandt Properties Limited	-	-	-	-	-
	TOTAL	**133,323**	**199,841**	**41,330**	**48,782**	**423,276**

The Controlling Officer further submitted that the failure to declare dividends by Investee Companies over the years had been due to their poor financial performance. However, ZCCM-IH management had instituted measures to ensure value was obtained from the investee companies as follows:

a) participation in the mining supply chain: Participation in the supply chain business was expected to result in ZCCM-IH earning direct income from supplying consumables; and
b) royalty/revenue sharing model extraction: The royalty initiative or model would involve restructuring of the equity holdings in some of the investee companies from dividends which were inconsistent and unpredictable to a royalty stream which was consistent and predictable.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee observes with concern and dismay how the investee companies failed to declare dividends. The Committee observes with concern that ZCCM-IH forwarded a shareholder's loan amounting USD 8million to CNMC

Luanshya Copper Mines Plc when the company's performance is dismal. The Committee directs the Controlling Officer to provide an updated status report on the performance of the investee companies and on the status of the royalty/revenue module. The Committee resolves to await an update on the matter.

21.5 Accounting Irregularities - Maamba Collieries Limited

21.5.1 Failure to Payback Shareholders Loan by Maamba Collieries Limited and Payment of Advance to MCL

The Controlling Officer submitted that Maamba's non-payment of shareholders and third-party loans/advances remained unresolved. This was due to failure by ZESCO Limited to pay the US$ 468.16 million debt (as at 30 September 2021), the company owed Maamba for power supplied. Maamba launched arbitration proceedings against ZESCO in London's High Court seeking payment of the said arrears and the matter was yet to be heard.

The Auditors observation that there was no Board approval by the Board of Directors of ZCCM-IH and no signed agreement between ZCCM-IH and MCL for the US$ 10 million loan advanced to Maamba was incorrect. ZCCM-IH management obtained Investment Committee approval on 22nd March 2021 and the ZCCM IH Board ratified the action on 29th March 2021. The Sponsor Support Agreement was signed on 16 July 2015 between ZCCM-IH and MCL and ZCCM-IH was reaching out to a sister company falling under the IDC umbrella and not a call for all share holders.

Committee's Observations and Recommendations

The Committee is displeased to note that despite MCL not declaring dividends to ZCCM-IH since 2016, ZCCM-IH proceeded to advance a share holder loan to the company. The Committee is also displeased to note that in as much as MCL had challenges which could have affected the entire country, ZCCM-IH was just one of the shareholders in MCL and should not have borne the cost of shareholders loan alone. The Committee directs the Controlling Officer to furnish the Auditor General with the documents in support of the submission and if at MCL will pay any accrued interest on the loaned funds. The Committee further directs that the Controlling Officer and the Auditor General should clarify the conflicting submission with regard acquisition of the board approval to advance a loan to MCL. Furthermore, the Controlling Officer should furnish the Auditor General whether in the contract signed between ZCCM-IH and Maamba Collieries Limited is a condition that Maamba will only pay back the shareholders loan and advances after ZESCO Ltd has settled its outstanding debt to Maamba Collieries Limited. The Committee resolves to await an update on the matter.

21.6 Administrative Issues - Asset Management - Failure to Sign Lease Agreement

The Controlling Officer submitted that the observation by the Auditor General that Mulonga Water and Sanitation Company occupied two houses situated on plot Nos. M6 and L6 of Lot No. 247/M on the Copperbelt was correct. He further submitted that the matter remained unresolved as Mulonga Water and Sewerage Company had insisted that the property in question was gifted to them via a Deed of Gift during the privatization era, a position at variance with that of ZCCM

IH. ZCCM-IH was in the process of commencing a legal proceeding against Mulonga Water and Sewerage Company.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and resolves to await a progress report and directs that management should put in place measures to ensure that all ZCCM-IH`s property are monitored.

22.0 ZESCO Limited Industrial Development Corporation

An examination of accounting and other records as well as physical inspections of selected infrastructure projects for Financial Years ended 31st March 2018, 2019 and 2020 revealed various irregularities to which the Controlling Officer submitted as set out below.

22.1 Income

The Controlling Officer submitted that the observation by the Auditor General that ZESCO had a deficit of K 2,896.11 against its budget of K 44,845.80 was correct. He further informed the Committee that the budgeted revenues were not met due to the following reasons:

i) the company's hydro generation was adversely, affected by droughts that hit the country between 2018 and 2019 financial years resulting in low water levels at Kariba North Bank and Itezhi Tezhi Dams. This resulted in reduction in power generation from the budgeted 11,848,515MWh to 9,909,777MWh at Kariba North Bank and Kafue Gorge Hydro Power Stations, thereby recording a reduction in revenues due to increased load management;

ii) in addition, the budgeted revenues assumed implementation of a tariff increase by Energy Regulation Board in 2019. However, this was only effected on 1st January, 2020.

The Controlling Officer further submitted that in order to mitigate the effects of droughts on revenue generation, the company commenced the construction of 750 MW Kafue Gorge Lower Hydropower Station which was commissioned in July 2021. In addition, the company was diversifying its generation to renewable energy sources aimed at reducing dependency on hydro power. He further submitted that the ZESCO had commenced procurement of solar equipment and had engaged a Moroccan company Masni and other players in the Multi Facility Economic Zones, however, the company had not reached financial closure. The Committee also learnt that ZESCO failed to generate the budgeted income due to procurement of power at a higher price and sold at a lower price. The Committee heard that the Government had assured ZESCO that it would pay the difference in the tariff rates but unfortunately government did not honour its word. The Controlling Officer also apprised the Committee that much of its costs where below Gross profit and not in the cost of sales. He further submitted that to reduce its debts and expenses ZESCO had also reduced its administration costs with regard to staff and wages which were at 15 per cent.

Committee's Observations and Recommendations

While noting the submission from the Controlling Officer, the Committee is disappointed to note that ZESCO has not properly managed their costs, which in the Committee's view has continued to escalate without a proper plan on how to mitigate the increase. Further the Committee expresses concern that the Government failed to honour its obligation having tasked ZESCO to purchase power at a higher rate while the tariff rate was below and hence ZESCO recording a loss. The Committee welcomes the idea of investing in green energy and directs the Controlling Officer to provide a report on the natter. The Committee further directs the Auditor General to keep the matter in view of future audits. The Committee will await an update on the matter.

22.2 Financial Analysis
22.2.1 Statement of Comprehensive Income
(i) Profitability and reduction in Net Profit Margin

The Controlling Officer informed the Committee that the observation by the Auditor General that ZESCO's profit before tax decreased by K24,585,649 from a profit of K19,595,000 in 2015 to a loss of K4,990,649,000 in 2019 and that the profit margins reduced from 14 per cent recorded in 2015 to negative 39 per cent in 2019 which was below the recommended target of 10 per cent was correct and regrettable. He further submitted that the major causes of the decline in profitability of the company included the following:

a) the severe drought experienced between 2018 and 2019, resulted in low water levels at Kariba North Bank and Itezhi Tezhi Dams, which affected the power generation at Kariba North and Kafue Gorge Power Stations. In order to reduce the power deficit, the company imported emergency power purchases from Karpowership, EDM of Mozambique and Aggreko at an average rate between US$18.00 cents to US$21.00 cents/Kwh, while the selling tariff was below US7.50 cents/Kwh. The uneconomic tariffs resulted in the company posting poor financial performance results;
b) the company's performance continued to deteriorate following the emergence of Independent Power Purchase Producers (IPPs) whose average tariff of US$11 cents was higher than the average selling tariff of US$7.5 cents;
c) the depreciation of the Kwacha against the major trading currencies such the US$ dollar had resulted in huge exchange losses. This was mainly due to the US$ dollar denominated obligations such as IPPs payables arising from the tariff differential between selling and purchase from IPPs;
d) the delayed settlement of electricity bills by Government, coupled with disputed tariffs by some mining companies, impacted adversely on the profitability due to increasing provisions for doubtful debt in line with IFRS 9 financial instruments.

The Committee learnt to resolve the matters; management was implementing the following measures:

a) tariff increase of about 113 per cent was awarded by ERB, effective 1st Janaury-2020 aimed at improving revenue on domestic sales;

b) the Cost of Service Study was being undertaken by ERB which was expected to address the tariff migration to cost reflective levels so as to give assurance to the mines and the public on how ZESCO is being managed;
c) engagement with Independent Power Purchase Suppliers (IPPs) to renegotiate the current tariffs. The process had reached advanced stage with Maamba Collieries and Itezhi Tezhi Power Corporations Limited whose tariffs were above the selling tariff.
d) engagement with the Ministry of Finance and National Planning with a view to execute a debt swap between GRZ and ZESCO as part of the balance sheet restructuring; and
e) cost optimisation measures aimed at reducing costs by implementing online platforms and automation of processes.

Committee's Observations and Recommendations

While appreciating the efforts being undertaken to resolve the challenges, the Committee is perturbed to note that the power purchase agreements, though well intended, were poorly managed especially by the Government through the Ministry of Energy. The Committee is also disappointed to note that the Government has continued to owe ZESCO in unpaid bills and the Committee directs that ZESCO should install prepaid meters in all entities and that the Secretary to the Treasury should champion this noble cause by ensuring that government entities have sufficient operational funds. The Committee expresses concern that even though the cost of operation is high, the solution to resolving the financial challenges should not only rely in the increase of tariff rates especially for domestic consumption while the opposite is true for the mines. The Committee resolves to await an update on the matter.

(ii) Interest Cover

The Controlling Officer submitted that the observation by the Auditor General during the period under review ZESCO's interest cover ratio had reduced from 1.39 in 2015 to negative 7.6 in 2019 was correct. He further informed the Committee that to mitigate the challenge, management had undertaken to implement the following measures:

a) in addition to the responses submitted on profitability and net profit margin, management was engaging the Government of Zambia, through Ministry of Finance to convert the GRZ On-Lent Loans to equity aimed at improving the profitability of the company by reducing the impact of exchange losses on loans and to improve the debt-to-equity ratio.
b) further, in order to improve the liquidity and interest cover ratio of the company, management engaging lenders to restructure the loan facilities in respect of interest rates and tenor of loans.

Committee's Observations and Recommendations

The Committee observes with concern that ZESCO's interest coverage ratio has continued to plummet, meaning ZESCO will be unable to pay the interest on its debt even if its earnings are to decrease. The Committee expresses concern on the strategy to convert debt to equity whenever an entity has financial challenges. In this regard the Committee strongly recommends that the

Secretary to the Treasury must ensure that this is stopped with immediate effect. With regard the ongoing conversation with lenders to restructure the loan facilities in respect of interest rates and tenor of loans, the Committee resolves to await an update on the matter.

22.2.2 Statement of Financial position
(i) Liquidity –Current ratio

The Controlling Officer submitted that the observation by the Auditor General that the current ratios for ZESCO during the period under review were below the recommend ratio of 1 and ranged between 0.4 and 0.8 was correct. In order to improve liquidity of the company, management was implementing the following measures:

a) tariff renegotiations with IPPs: 90 per cent of the current liabilities recorded in 2019 was attributed to the purchase of power from IPPs. Management was negotiating with IPPs with a view to reduce the cost of power;
b) an application had been made to ERB to cap Maximum Demand customers above 10 KVA to migrate to Purchase Supply Agreement in US$ dollar. This measure was aimed at improving the current assets and mitigating the Foreign exchange risk.
c) the Cost-of-Service Study once completed would provide cost reflective tariffs for all customer categories.

Committee's Observations and Recommendations

The Committee observes with concern that the main solution for ZESCO lies in tariff increase. The Committee is of the considered view that apart from relying on increase of tariff, management must also improve the management of contract signing and also enhance cost cutting measures. The Committee resolves to await an update on the matter.

(ii) Gearing Ratio

The Committee heard that ZESCO's gearing ratio ranged between 81 per cent and 199 per cent which was above the industry benchmark of 70 per cent. The Controlling Officer informed the Committee that management had engaged the Government to convert the On-lent loans to equity, which would improve the debt/equity ratio. In addition, ZESCO sought restructuring of debt by reviewing the existing loans interest and tenor with various lenders. Government was in receipt of the request for debt restructuring and was in the process of verifying the debt position.

Committee's Observations and Recommendations

While the Committee takes cognisance that ZESCO operates in a capital intensive investment industry and cannot do without debt, it's the Committee's considered view that this should be manageable debt in line with the industry set benchmark. In this regard, the Committee urges the Controlling Officer to ensure that the matter is resolved expeditiously and reiterates its recommendation with regard to conversion of debt into equity. The Committee resolves to await an update on the matter.

(iii) Return on Capital Employed (ROCE)

The Committee learnt that ZESCO operated below the recommended ROCE of 15 per cent as per its Corporate Business Strategy for 2018 to 2025. To resolve the query, management undertook to implement the following measures:

a) to reduce the cap for Maximum Demand customers (MD 4) from 25 KVA to below 10 KVA and converting these customers to be managed by Power Purchase Agreements, preferably US$ receivables. The application for this had been submitted to the ERB pending decision.
b) tariff renegotiations with IPPs and engaging the IPPs to restructure the arrears into a long-term debt. This would in turn reduce the cost of interest and penalties charged by the IPPs on outstanding debt.
c) measures on cost optimisation aimed at reducing operating costs were being implemented such as online platforms for customers and outsourcing of identified services.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the matter.

22.3 Operational Matters

22.3.1 Failure to Achieve Key Performance Indicators (KPIs)

The Controlling Officer informed the Committee that In 2016, the Energy Regulations Board (ERB) and Zambia Electricity Supply Company (ZESCO) Limited agreed on a three-year KPI framework to run from January 2017 to December 2019. This was to assess ZESCO's financial and technical performance as outlined below.

(i) Delayed Connection of applicants Standard and Non Standard Connections

The Controlling Officer submitted that the observation by the Auditor General that ZESCO had a backlog of applicants who had paid and were not connected as follows: standard connections 9,391 applicants whose delay was eleven years and non standard connections 19,858 applicants whose delay was fourteen years was correct. The Controlling Officer informed the Committee that one major reason was that the existing connection charges as at the time of reporting did not cover the full cost of effecting new connections, coupled with the tariff which was not cost reflective. The last revision of connection charges were done in 2004, by ERB even after numerous applications by ZESCO. The Controlling Officer further submitted that since the cost of materials had been increasing due to inflation and fluctuations in the Kwacha against the major foreign currencies such as the US$ dollar. The Committee learnt that there was a pricing gap, between the ERB approved connection charges and the prevailing market charges during the period under review.

The Controlling Officer further informed the Committee that despite the pricing gap, in 2018 and 2019, 128,912 customers were connected to the grid representing a connection rate of 73 per cent .Further; an additional 98,549 had been connected from 2020 to the end of 2021 representing an average of 69 per cent of all connections over the last four years. To resolve the challenge, management undertook to implement the following:

a) submission of an application to Energy Regulatory Board (ERB) to review the connection fees to cost reflective levels which were aligned to material and incidental connection costs as pertaining in the market;
b) arrangement of short-term financing to bridge the financing gap of connection costs. In this regard, US$20 million was secured to expedite the new connections with emphasis on clearing the oldest jobs first and ZESCO was in the process to borrow US$ 60 million;
c) the US$ 20million was deployed to increase operational efficiency through ensuring availability of critical materials and increasing the rate of connections through the establishment of sustainable contracts with critical input suppliers as set out below.

    a) ZAMEFA to deliver various sizes of cables for new installations and system expansion
    b) Conlog of SA to deliver 102,500 energy meters this year.
    c) Zambia Forestry and Forest Industries Corporation to supply the varies sizes of poles
    d) Increase the number of small scope contractors from the seventy four to 165 in order to speed up the participation of the private contractors in dismantling the backlog.
    e) Elsewedy to supply the various distribution transformer sizes.

The Committee learnt that ZESCO had continued to receive money from the applicants because failure to do so would easily erupt into mayhem and cause bad publicity for the government.

Committee's Observations and Recommendations

The Committee notes with concern and agrees with ZESCO with regard to non-review of the connection charges by the ERB. While noting the response, the Committee expresses concern that the Government has continued to put pressure on ZESCO to continue to receive application fees while ZESCO is not in a position to satisfy the demand due to the mentioned challenges. While the Committee agrees that ERB should review the connection charges, the Committee expresses concern that this should not make the service too expensive for the common Zambian to avoid. Therefore, the Committee directs the Secretary to the Treasury to ensure that his Office collaborates with ZESCO to find a lasting solution to this query as it's the sole responsibility of the government to provide or put in place infrastructure for public goods. The Committee resolves to await an update on the matter.

(ii) Payment of Penalties-Contracts for Connection of North-western Province to the National Grid

The Controlling Officer submitted that the observation by the Auditor General that ZESCO paid an extra K42,902,815 (US$4,489,960), charged as compensations to Eltel Networks TE AB (ELTEL) relating to the delays in payments by ZESCO on the implementation of projects which resulted in additional costs to the project. The Controlling Officer informed the Committee that the protraction was caused by the following:

a) ZESCO management resolved to secure from Zambia Revenue Authority, the waivers on import duty and import VAT for imported equipment, and that of local VAT on local services such as installation works. This was necessary in view of ZESCO's cashflow position, however, these exemptions required the inclusion of the lenders (Swedish Export Credit Corporation (SEK) and the National Exports Credits Guarantee (EKN) in the Third Schedule of the Customs and Exercise Act. This process unprecedently protracted because, a statutory instrument (Statutory Instrument No. 18 of 2015) had to be issued as a prerequisite to the amendment of the Third Schedule.
b) The waiver of import duty, import VAT and local VAT was granted to the project in 2015. The protraction could not have been anticipated.

He further informed the Committee that the Government was the one who was supposed to pay the lender while ZESCO was the project implementer.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee finds it inexcusable and unacceptable that ZESCO applied for tax wavier due to ZESCO's cash flow challenges as this was lack of foresight on the part of management. The Committee observes that in one breath the Controlling Officers submits that the request for tax wavier was due to inadequate cash flows while in another breath he indicates that ZESCO was only an implementer. The Committee directs that a comprehensive report on the facts of the wasteful expenditure should be submitted to the Auditor General for verification subject to which the matter should close.

22.4 ZESCO Investment in Zambia Electrometer Limited (ZEL)

The Controlling Officer informed the Committee that it was regrettable that ZESCO did not adhere to the provisions of the section 7 (1) of the *Public Audit Act No. 13 of 1994*, with respect to availing information such as when the company was incorporated and its business model. The Controlling Officer responded to the Auditor Generals observations as set out below.

(i) Failure to Realise Dividends

The Controlling Officer submitted that ZEL's poor financial performance in 2015 and its inability to pay dividends was mainly attributed to the high cost of raw materials for prepaid meter assembly. This resulted in uncompetitive product pricing which led to failure to attract customers. As a result, ZESCO remained the only customer which did not support the sustainability of the project.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit all the documents in support of the submission to the Auditor General for verification, subject to which the matter should close.

(ii) Failure to Divest

The Controlling Officer submitted that ZESCO Limited was in the process of divesting from Zambia Electrometer. Since the nature of investment was initially through memorandum of Understanding between the Government of the Republic of Zambia and the Egyptian Government, the matter was with the Ministry of Foreign Affairs for further consultation and engagements with the counter party Ministry of Foreign Affairs in Egypt.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to intervene in the matter. The Committee resolves to await an update on the matter.

22.5 Failure to Remit Funds Electricity Reserve Funds

The Controlling Officer informed the Committee that during the period under review, ZESCO entered a debt servicing plan with ERB. However, ZESCO defaulted on the payment plan due to cash flow challenges. He further submitted that the company had reverted to the payment plan and had since started servicing the aggregate legacy debt on a monthly basis. Management was adhering to the payment plan of monthly settlement of invoices of K4.5 million and K500,000.00 for ERB fees and ESF respectively. Management would increase the monthly payment plan once the tariffs were revised upwards and financial performance had improved. The Committee learnt that from the latest verification, ZESCO owed ERB K25million and that the amount remained outstanding. The Committee also learnt that the EFS was an interim measure to resolve the challenge of load shedding and to mirror the strategic reserve fund for the petroleum sector.

Committee's Observations and Recommendations

The Committee notes the Controlling Officers response and directs management to provide a time frame within which the outstanding contributions will be paid and to provide an update report with regard the sustainability of the EFS. The Committee resolves to await a progress report on the matter.

22.6 Managing of Power Purchase Agreements
22.6.1 Failure to Effect Tariffs in Line with Escalation Clauses

The Controlling Officer submitted that the observations by the Auditor General with respect to Power Purchase Agreements (PPAs) for the following, was correct; TANESCO –Tanzania, ESCOM Mchinji, Chambishi Industrial Zone, Botswana Power Corporation, Mpande Limestone and North Western Company. He further submitted that it was regrettable that ZESCO had not effected escalations as provided in the PPAs due to inadequate systems required for efficient contract management. Management had been directed to institute a system which would ensure effective and efficient management of company agreements and contracts. The escalation invoices had since been issued and settled as follows:

a) ESCOM: Invoices amounting to USD 193,000 were fully paid by 30th September, 2021;
b) ZCCZ: Invoices amounting to USD 3,056,630.57 were partially paid as at 30th September, 2021. A Credit of USD 1,884,431.19 was issued as a Covid 19 rebate. Therefore, the outstanding amount was USD 161,682.66 as at 30th September, 2021;
c) BPC: Invoiced USD 554,635.89 but not yet paid as at 30th September 2021; and
d) MPANDE: Invoices amounting to USD 194,400.32 were fully paid as at 30th; September 2021.

The Committee also learnt that with respect to TANESCO, the agreement did not include any escalation clauses. The tariff structure of the agreement was dependent on the revisions to ZESCO tariff structures approved by ERB.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee is perturbed to note that management only formulated a new system to manage PPs after the audit exercise. The Committee finds it unacceptable and urges the Controlling Officer to ensure that management adopts a proactive approach to the management of the entity especially with respect to management of contracts. The Committee resolves to await an update on the payment of the outstanding invoices.

(i) Questionable Power Purchase Agreement - Itezhi Tezhi Power Corporation

The Controlling Officer submitted that the observation by the Auditor General that the basis on which ZESCO Limited signed the Power Purchase Agreement with Itezhi Tezhi Power Corporation (ITPC) remained questionable as it did not adhere to the Project Financing Agreement and Energy Regulation Board approved billing rates and did not favour ZESCO financially, but ITPC was correct an regrettable. He further submitted that the requirement of the provisions of the PPA for any revisions to the tariff to be mutually agreed had led to failure to amend the clause in the Agreement. However, tariff negotiations with ITPC were underway and it was expected that an agreement would soon be reached.

Committee's Observations and Recommendations

The Committee notes with disappointment the failure by ZESCO to sign a PPA that would benefit both ZESCO and ITPC and not to disadvantage ZESCO. The Committee strongly recommends that disciplinary action should be meted out against all officers and their supervisors who failed to execute their duties efficiently. The Committee also resolves to await a progress report on the ongoing tariff negotiations.

22.6.2 Failure to Supply Power - Sakunda Holding Limited USD114,827,078

The Controlling Officer submitted that following the execution of the PPA, Sakunda Holding had not fulfilled its obligations due to the following reasons:

a) Sakunda had been unable to secure a wheeling path from the Zimbabwe Electricity Distribution Company's (ZETDC);
b) Sakunda was unable to obtain tax incentives that it applied for from the Zimbabwean Government. The failure to get incentives had rendered the contract unprofitable for Sakunda; and
c) ZESCO management communicated to the Ministry of Finance on the Sakunda Holding's failure to fulfil its obligations for its intervention as this was a bilateral agreement between the two Governments and that ZESCO was only engaged as a sole off- taker through which the Republic of Zimbabwe was going to settle the debt using Sakunda Holding Limited to export electrical energy to Zambia.

Committee's Observations and Recommendations

The Committee notes the response and expresses displeasure at the inordinate time it has time for the Government to finalise the issue with the Republic of Zimbabwe. The Committee is in agreement with ZESCO with regard to the issue being at the level of bilateral agreement between the two Governments. In this regard, the Committee directs the Secretary to the Treasury to intervene in the matter and to ascertain if there are any interest charges that have accrued on the debt with respect to the time value of money. The Committee will await an update on the matter.

22.6.3 Operating Without a Contract - SNEL Kasenga

The Controlling Officer informed the Committee that the observation by the Auditor General that there was no formal Agreement during 2019 and 2020 as the last export Power Purchase Agreement with SNEL Kasenga (purchaser) of the Democratic Republic of Congo had expired in December 2018 was true. The Controlling Officer further submitted that it was regrettable that the PPA between ZESCO and SNEL had not been renewed since December 2018. ZESCO management had been directed to execute the Agreement without any further delay. The Controlling Officer further informed the Committee that before the expiry of the contract, ZESCO had engaged SNEL Kasenga for purposes of renewing the contract for the supply of low and high voltage power. SNEL Kasenga responded to the contract for high voltage power but never responded to the low voltage power contract. Furthermore, he informed the Committee that in a normal circumstance, ZESCO would have switched off supply, however, they were diplomatic ties at play and hence ZESCO's recourse alternatives were limited. The Committee learnt that despite not having a formal agreement in place, SNEL Kasenga had continued to pay their dues.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission with regard to diplomatic ties, the Committee is disappointed to note that ZESCO has poorly managed the PPAs. The Committee finds it unacceptable that ZESCO is supplying power in the absence of a valid contract and that in an event that there are disputes between the two parties ZESCO may not have proper recourse mechanisms and would be at a loss. The Committee directs the Secretary to the Treasury to promptly intervene in the matter, and further directs the Controlling Officer to ensure that the contracts are duly signed expeditiously. The Committee will await an update on the matter.

22.6.4 Failure to Revise Tariffs

The Controlling Officer submitted that the observation by the Auditor General that ZESCO had not reviewed the power tariffs for Mpande Limestone, Lafarge and Mabiza, based on the 2017 Cost of Service Study was correct as per the contracts signed. He further submitted that the ERB had the mandate to conduct Cost of Service Study for the purpose of electricity tariff setting in their role as Energy Sector regulator and to avoid perceptions of bias toward ZESCO, which would arise if ZESCO conducted the study. The ERB was undertaking a cost-of-Service study which was expected to be finalised by the end of 2021. The Controlling Officer also informed the Committee that when the study was finalised the ERB, ZESCO, and all the players in the electricity sector would make reference to it and use it for the determination of tariffs.

Committee's Observations and Recommendations

The Committee is disappointed to note that ZESCO included a clause in the contracts indicating that tariff escalation would be effected after implementation of the 2017 Cost of Service Study which it had no control over. The Committee reiterates is concern on the poor manner ZESCO was managing its contracts. The Committee resolves to await a progress report on the matter.

22.6.5 Loss Making Bulk Sales US$ 1,775,849,233

The Controlling Officer submitted that management had long recognised the need to ensure all consumers paid cost reflective tariffs. The major barrier with ensuring that Bulk customers migrated to cost reflective tariffs had been the absence of a Cost-of-Service study that would inform the tariff determination process and the nature of the contracts ZESCO had with its bulk customers that required mutual agreement before the revision of tariffs.

The Controlling Officer further submitted that another obstacle was the fact that the previous ERB and Electricity Acts did not provide the ERB with explicit authority to determine tariffs between ZESCO and its customers in the event of a dispute or if the tariffs were uneconomical. The revised ERB and Electricity Acts provided authority to the ERB to revisit tariffs if the tariffs were not cost reflective. ZESCO would renegotiate all Bulk sales contracts after the completion of the Cost-of-Service study.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee observes with concern that ZESCO does not have a contingency plan in an event that the Cost of Service Study is not completed. The Committee also observes that ZESCO failed to renegotiate the tariffs for contracts that did not require the Cost of Service Study. The Committee directs the Controlling

Officer to ensure that ZESCO renegotiates these contracts without delay. The Committee will await a progress report on the matter.

22.6.6 Loss on Local Power Purchase Agreements US$813,469,531.99

The Controlling Officer submitted that the observations by the Auditor General that ZESCO procured power (electricity) from Independent Power Producers (IPPs) at higher rates or tariffs than it sold to its customers was true. He further informed the Committee that management had embarked on the renegotiation of its Power Purchase agreements with the IPPs and had made significant progress in that regard. It was expected that negotiations would be concluded before the end of 2021. This was part of the turnaround strategy which management was implementing.

Committee's Observations and Recommendations

The Committee reiterates its observation with regard the poor manner in which contracts at ZESCO, are managed. While the Committee appreciates that electricity is a very important public good and that the Government has in the past requested ZESCO to enter into contracts which have in turn been loss making, the Committee strongly recommends that the Controlling Officer should ensure that ZESCO puts in place stringent measures on the management of contracts and that the culture of conducting business in a manner that is non profitable on the pretext that activities have been championed by the Government should be discouraged with immediate effect. The Committee further directs the Controlling Officer to provide an update on the implementation of the turnaround strategy. The Committee will await a progress report on the matter.

22.6.7 Accumulated Penalty Charges - Wasteful Expenditure

The Controlling Officer submitted that the penalty charges from Electricidade de Mozambique, Nampower pty Limited, Eskom- South Africa, Itezhi Tezhi Power Corporation, Lunsemfwa Hydro Power Company Limited, Maamba Collieries Limited and Ndola Energy Company arose from delayed payments in payables due to the liquidity challenges the company had been facing. In order to improve the status quo, the measures set out below had been put in place.

a) ZESCO had since paid off the amount owed to ESKOM and entered into payment agreements with Lunsemfwa Hydro Power Company and Ndola Energy.
b) Tariff renegotiations with IPPs: 90 per cent of the liabilities recorded in 2019 were attributed to the purchase of power from IPPs. Management was negotiating with IPPs with a view to reduce the cost of power.
c) An application had been made to ERB to cap Maximum Demand customers above ten KVA to migrate to Purchase Supply Agreement in US$ dollar. This measure was aimed at improving the current assets and mitigating the FX risk.
d) The Cost-of-Service Study once completed would provide cost reflective tariffs for all customer categories.

Committee's Observations and Recommendations

The Committee notes the response and requests the Controlling Officer to submit an update with regard the payment plans for all the creditors. The Committee resolves to await a progress report on the matter.

22.6.8 Outstanding Payables US$797,902,517.54

The Controlling Officer informed the Committee that the observation by the Auditor General that ZESCO owed its local and cross border power supplier's amounts totalling US$797,902,517.54 as at 31st December 2020 which had been outstanding for periods ranging from 366 days to 1,767 days was correct. He further submitted that the outstanding payables were mainly attributed to the liquidity challenges the company had been facing. These challenges were as a result of the uneconomic tariffs regime. Power was sold to customers at an average of USD7.5/KWh while it was purchased at an average tariff of USD11/KWh. In order to improve the status quo, the following measures had been put in place:

a) tariff renegotiations with all IPPs to reduce the tariff to cost reflective levels on both the supplier and customer side;
b) the enactment of ERB and Electricity Act, future IPPs would be allowed to find the market for the power generated, rather than ZESCO being the off taker of the power. ZESCO would be providing the transmission path as a System Operator ion a wheeling fee;
c) the migration of tariff to cost reflective levels once the Cost-of-Service Study was completed.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee observes with extreme concern and finds it awkward that ZESCO continued to sign contracts that disadvantaged the entity. The Committee finds it unbelievable that ZESCO failed to substantiate as to why and who forced them to enter into uneconomic contracts. The Committee recommends that going forward; ZESCO should take an efficient operative style and avoid entering into unprofitable contracts. The Committee resolves to await a progress report on the clearance of the outstanding debt with creditors.

22.6.9 Outstanding Receivables - Power Supply Agreements

The Controlling Officer submitted that the observation that ZESCO was owed amounts totalling US$522,070,403.73 (Local customers US$491,409,258.91 and Exports US$ 30,661,144.75) out of these receivables, 71 per cent in amounts totalling US$373,009,842.99 had been outstanding for periods exceeding ninety days as shown in the Tables below.

Table 43: Outstanding Local Debtors

	1-30 days US$	31-60 days US$	61-90 days days US$	Over 90 days US$	Oustanding Balance US$
CEC	21,236,721	17,257,080	17,701,219	287,310,201	343,505,221
Kansanshi	8,645,193	9,180,640	9,209,550	7,168,420	34,203,803
Lumwana	2,050,352	1,996,815	2,022,550	42,895,524	48,965,241
Universal	0	0	0	2,250,745	2,250,745
NorthWestern	259,544	249,867	287,924	89,396	886,731
Chambishi	2,823,706	2,742,460	2,735,105	3,581,719	11,882,990
Kalumbila	9,076,194	8,960,493	8,783,859	21,471,253	48,291,798
Total	**44,091,709**	**40,387,355**	**40,740,208**	**364,767,258**	**489,986,530**

Table 44: Outstanding Debtors - Exports

Customer	1-30 days (us$)	31-60 days (us$)	61-90 days (us$)	Over 90 days (us$)	Outstanding Balance (us$)
BPC	566,087.54	558,589.30	92,863.17	-	1,217,540.01
NAMPOWER	3,063,519.06	1,494,837.92		-	4,558,356.98
TANESCO	301,275.70	308,353.10	326,364.50	8,696.21	944,689.51
SNEL	246,989.93	229,352.04	235,702.45	1,849,408.82	2,561,453.24
SNEL FRONTIER				551.69	551.69
ZESA CHIRUNDU	35,361.46	34,226.89	38,016.25	363,768.62	471,373.22
ZESA IMBALANCE				27,412.88	27,412.88
EDM				363.05	363.05
EDM ZUMBO	22,133.00	23,042.00	24,942.50	597,489.50	667,607.00
SNEL HV	4,901,650.74	4,603,011.57	3,772,204.94		13,276,867.26
SOUTHERN AFRICAN POWER POOL	231,339.62	459,454.28	187.53	5,322,850.94	6,013,832.37
ZESA HV				71,000.00	71,000.00
ESCOM MALAWI	311,563.44	319,916.11	218,617.99	-	850,097.54
TOTAL	**9,679,920.49**	**8,030,783.22**	**4,708,899.34**	**8,241,541.71**	**30,661,144.75**

The Controlling Officer further submitted that management recognised the debt owed by the local and foreign customers of electricity supplied based on Bulk Supply Agreements (BSA)/ Power Supply Agreements (PSA). The Controlling Officer further apprised the Committee on each customer set out below.

a) Copperbelt Energy Corporation

The outstanding Copperbelt Energy Corporation (CEC) debt as indicated above was prior to the expiry of the ZESCO/CEC Bulk Supply Agreement in March, 2020. This amount included the legacy debt owed due to the 2014 ERB tariff adjustment upwards of US$cents 6.84/Kwh from US$cents5.31 which was rejected by CEC and the matter was in court.

The disputed ERB 2014 tariff amounted to US$ 245,384,646.68 arising from the average tariff of 6.84c/kWh and interest of US$ 3,616,823.74, KCM related debt of US$ 72,483,670.82; and by

December 2020 the invoice was not due at the time of the report US$ 21,237,359.49 and wheeling charges of USS$782,719.92.

b) Kansanshi

In September, 2017, ZESCO; the Government of the Republic of Zambia - GRZ; Kansanshi Mining plc (KMP); and Kalumbila Minerals Limited (KML) signed the Letter of Intent, LOI, which had conditions to be met by ZESCO; KMP; and KML. The two mining companies had agreed to pay the tariff of USD 8.4c/kWh and migrate to USD 8.835c/kWh for KML and USD 9.3c/kWh for KMP upon signing of the wheeling agreement to facilitate for the two mines to procure alternate power supplies. The matter was not concluded. Due to lack of resolution, ZESCO was invoicing Kansanshi at 9.3 c/kWh but the mine was recalculating the invoices and paying the old tariff leading to accumulation of the debt. Kansanshi was paying the difference into an escrow account.

c) Lumwana

The outstanding debt owed by Lumwana arose from the ERB April 2014 tariff adjustment of US$c 6.84/kWh amounting to US$ 48,965,271.25 which was disputed by Lumwana. The matter was in court in which ERB had been sued by the Chamber of Mines.

d) Universal Mining

Universal Mining was placed under receivership and the Debt had since beenwritten off. Support documentation available for verification.

e) North western

As regards to the debt owed by Northwestern Corporation, payment agreements had been agreed upon and being executed by the customers. Audit evidence of the payment agreements was available for audit verification.

f) Chambishi

As regards the debt owed by ZCCZ (Chambishi), ZCCZ's customer, Chambishi Copper Smelter, was a VAT Withholding Agent for the Zambia Revenue Authority (ZRA) and thus paid the VAT component of the invoice directly to ZRA and paid only the component of electricity consumption. However, ZCCZ, was required to pay the full invoice inclusive of VAT to ZESCO limited. It was on this basis that ZCCZ needed to obtain their VAT refund from ZRA before they could pay the full ZESCO invoice.

g) Export receivables

ZESCO received various services from export customers. The services provided include wheeling services by ZESA, Optic fibre broadband services from Nampower, Power imports from EDM and South Africa; Power purchases from Malawi, and wheeling services from TANESCO. Therefore, ZESCO had engaged its foreign customers into debt swaps.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee resolves to await an update on the matters that are in court. With regard the debt owed by Universal Mining, the Committee finds it unacceptable that the debt was written off even though the company was placed under receivership and is still operating. The Committee directs the Controlling Officer to review this matter and provide an update to the Committee expeditiously. The Committee will await a progress report.

22.6.10 Failure to Charge Interest on Debtors Balances

The Controlling Officer submitted that the observation by the Auditor General that ZESCO did not charge interest on its debtors as shown in the tables below was correct.

Table 44: Debtors Balances on which Interest had not been charged – Domestic Customers

Customer	Interest /Penalty clause	2015	2016	2017	2018	2019	Total
		USD	USD	USD	USD	USD	USD
CEC	✓	214,243,392.81	338,469,483.50	290,026,250.67	288,587,561.19	326,248,141.05	1,457,574,829.22
Kansanshi	✓	10,074,892.69	67,684,693.52	9,104,336.48	15,332,528.19	25,022,726.33	127,219,177.20
Lumwana	✓	29,419,649.32	62,957,202.46	48,722,157.00	46,960,849.26	46,968,425.90	235,028,283.94
Northwestern	✓	182,679.66	147,257.07	86,045.74	87,464.64	636,864.06	1,140,311.17
Chambishi	✓	1,276,448.57	1,409,291.74	2,495,745.84	5,399,321.52	9,140,529.80	19,721,337.47
KCM-Nampundwe	✓	-	-	437,196.89	-	-	437,196.89
Mpande	✓	-	-	-	8,762.89	640,379.94	649,142.83
Mabiza	✓	-	-	-	-	330,614.28	330,614.28
Total		**255,197,063.05**	**470,667,928.29**	**350,871,732.61**	**356,376,487.70**	**408,987,681.36**	**1,842,100,893.01**

Table 45: Debtors Balances on which Interest had not been Charged–Cross Border Customers

Customer	Interest /Penalty clause	2015	2016	2017	2018	2019	Total
		USD	USD	USD	USD	USD	USD
NAMPOWER	✓	2,100,268.11	2,483,507.34	2,578,416.28	878,070.82	1,494,837.92	**9,535,100.47**
TANESCO	✓	351,404.58	355,548.23	826,008.28	281,193.71	643,413.81	**2,457,568.62**
Total		**2,451,672.69**	**2,839,055.57**	**3,404,424.56**	**1,159,264.53**	**2,138,251.74**	**11,992,669.09**

The Controlling Officer further submitted as outlined below.

a) The interest on late payment were charged on CEC as tabulated below during the period under review:

b)

DETAILS	PROVISION AMOUNT	USD AMOUNTS
2015 interest charges	7,312,103	7,312,103
2016 interest charges	-	
2017 interest charges	16,118,830	16,118,830
2018 interest charges	2,202,140	2,202,140
2019 interest charges	3,616,824	3,616,824
TOTAL		**29,249,896**

Interest on the other mines had not been computed because they were within their credit terms as governed by the PSA.

c) Cross Boarder Customer

The export trade receivables were governed by Power Purchase Agreements, which stipulated the credit terms in which the customers should settle the debt. The export receivables were within credit terms.

Committee's Observations and Recommendations

The Committee notes the submission and directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close.

PART III

23.0 General Observations and Recommendations

Following the Committee's interactions with the Controlling Officers and Chief Executive Officers for the entities that were cited in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2019, the Committee observed a number of overarching challenges. In light of this, and for the Government to maximise its wealth and returns from its investments in state owned enterprises (S.O.Es), improve financial management and accountability in statutory bodies and generate future wealth as well as achieve its social objectives, the Committee observes and recommends as outlined below.

(i) The Committee observes that failure to pay statutory obligations as and when they fall due is an overarching challenge. As a result, statutory institutions are opting to abrogate the law by agreeing on separate times to pay. The Committee strongly condemns this and urges the Secretary to the Treasury to ensure that the provisions of the law are adhered to.

(ii) The appointing authorities must always ensure that the parastatal bodies and other statutory institutions have functional boards of directors to strengthen corporate governance.

In light of the above, the Committee strongly recommends that capacity, competence and relevant skills should be factored in when making board appointments. Furthermore, the Committee recommends that the process of vetting board appointments should include mechanisms that track the appointee's performance record on other parastatals and statutory institutions on which they have served.

(iii) The Committee recommends that boards of directors for parastatal bodies and other statutory institutions must ensure that effective performance assessment systems for management are implemented;

(iv) The IDC and respective supervising ministries should ensure that audited financial statements are one of the key deliverables for boards of SOEs and statutory bodies respectively. This will ensure compliance with the *Companies Act No 10. of 2017* and their respective enabling Acts. In addition, IDC and supervising ministries should develop timelines within which all the institutions under their charge should be up-to-date with their financial reporting;

(v) The management of parastatal bodies and other statutory institutions must ensure that weaknesses in contract management are urgently addressed to enhance the execution of their mandates.

(vi) The Government must ensure that parastatal bodies and other statutory institutions source sufficient funds to enable them to meet their mandates.

(vii) The Committee observes that cases reported to the investigative wings are taking inordinately too long to be concluded. In this regard, the Committee strongly recommends that investigation wings/agencies should improve upon their duties and ensure that timely investigations are carried out and concluded.

(viii) The Committee observes with serious concern that audit process is not given the seriousness it deserves. The Committee further observes that failure to implement the Committee's recommendations has led to continued flouting of the public financial regulations and continued poor performance of parastatals. In this regard, the Committee strongly urges the Secretary to the Treasury to ensure that the punitive measures are taken on officers found wanting.

(ix) The Committee observes with grave concern that financial institutions charged with the responsibility to issue loans such as the National Savings and Credit Bank (NATSAVE) and Development Bank of Zambia (DBZ) continue to record a high per cent of non-performing loans. The Committee further observes that DBZ had partially financed a number of projects which performed poorly and as a result DBZ decided to restructure the loans. The Committee further observed that this resulted into the loans ballooning to unmanageable levels. A case in point is where the Bank issued a loan to Chita Lodge Limited amounting to K 18,000,000 after being restructured the outstanding loan amount stood at K 103,453,269.

The Committee directs the Secretary to the Treasury to implore the Bank of Zambia to take a more proactive approach in supervising the players in the financial sector and to ensure that the "Basel laws" are enforced to the latter.

(x) The Committee observes with concern that there is disregard of the financial regulations at the University Teaching Hospital resulting in abuse of financial resources. The Committee urges the government to employ personnel who have the requisite skills as opposed to employing technocrats in the field of concern for a respective entity.

(xi) The Committee observes with concern that in line with *Chapter 256 of the National Pension Scheme Act No. 40 of 1996* read together with amendment Act No 9 of 2000, establishment of the National Pension Scheme Authority has led to dwindling contributions to the older pension schemes such as the Local Authorities Superannuation Fund (LASF) and the Public Service Pensions Fund (PSPF) which cannot take up new members. The Committee further observes that the two pension schemes have been unable to pay out retirement benefits as their "Inadequate Dependency Ratio" has continued to plummet.

In view of the foregoing, the Committee strongly urges the government to ensure that pension reforms are implemented expeditiously.

24.0 Conclusion

State-owned enterprises and statutory institutions are very important for developing countries and SOE managers are vital in leading the sustainability and growth of these business organisations. The success of SOEs depends largely on the strategies SOE managers adopt and implement to create improved financial performance which is critical to the sustainability, productivity and overall success. Some of the strategies that should be implemented include but not limited to; performance management strategies, adoption and strengthening of internal auditing policies and creation of a culture of transparency and integrity.

Zambia's public institutions are expected to conduct their activities in a manner that satisfies the public interest and assures the welfare of the people. In this regard, prudent management of the public institutions and strict adherence to the public financial management system can generate widespread and long–lasting benefits and may in turn help to reinforce wider societal shifts towards inclusive institutions that strengthen the nation, reduce poverty, and enhance balanced growth.

The Committee wishes to pay tribute to all the witnesses who appeared before it and made both oral and written submissions. It also wishes to thank you, Madam Speaker for your invaluable guidance throughout the Session. The Committee further expresses gratitude to the Office of the Clerk of the National Assembly and her staff for services rendered to it during the Session. The Committee is confident that the observations and recommendations contained in this Report will be favourably considered and fully implemented in the best interest of the nation.

B Kambita, MP
CHAIRPERSON

March, 2022
LUSAKA

Appendices

Appendix I –List of National Assembly Officials

i. Mr C Haambote, Acting Principal Clerk of Committees
ii. Mrs C K Mumba, Acting Deputy Principal Clerk (SC)
iii. Mrs D Mukwanka, Acting Deputy Principal Clerk of Committees (FC)
iv. Mr E I C Chilimboyi, Committee Clerk
v. Mrs V B Tembo, Typist
vi. Mr M Chikome, Committee Assistant
vii. Mr D Lupiya, Committee Assistant
viii. Mr M Kantumoya, Parliamentary Messenger

Appendix II – List of Witnesses

List of Witnesses

1. Ministry of Finance and National Planning

Mr F Nkulukusa, Secretary to the Treasury
Mr K Musonda, Acoountant General
Ms J Mukuwe, Controller Office
Mr D Chisenda, Permanent Secretary-Economic Management Finance
Mr M Moyo, Principal Budget Analyst
Mr M Siluzuwe, Assistant Director
Ms F M Kalangwe, Director Policy Research and Standards
Mr G Kabwe, Director-Investments and Debt Management
Mr C Kapambwe, Senior Economist
Ms O Darris, Assistant Director- Government Investments
Mr C Kafunti, Director Finance
Ms C Kabanga, Chief Accountant

2. Ministry of Energy

Ms V Mwiche, Permanent Secretary
Ms A Sievu, Director Finance
Ms M Muyivwe, Acting Director of Petroleum
Mr M Chinyama, Head- Procurement/Supplies Unit
Mr. D Mulasikwanda, Procurement Officer

3. Ministry of Education

Dr J L Mulwanda, Permanent Secretary-Administration

4. Ministry of Technology and Science

Mr B Habeenzu, Permanent Secretary
Ms K Siame, Permanent Secretary
Mr M P Chitalu, Chief Internal Auditor
Ms K Mutelekesha, Assistant Director Planning and Information
Mr K Nkunika, Assistant Director- Communications
Mr B Mutale, Senior Planner (PCB)
Mr K Kwete, Chief Accountant
Mr N Pelesi, Assistant Director –Human Resource Officer
Mr L Lubasi, Assistant Director-Audit
Mr M Mulenga, Assistant Director- DST

5. Ministry of Health

Dr K Malama, Permanent Secretary-Technical Services
Mr H Chimpati, Accountant-PAC
Mr F Mwila, Director- Human Resource Management and Administration
Dr A Makupe, Director Clinical Care and Diagnostic Services
Mr E Malikana, Assistant Director-Health Policy
Mr G Chibwe, Director Internal Auditor

6. Ministry of Local Government and Rural Development

Mr K Mwila, Permanent Secretary
Mr J Simfukwe, Chief Accountant

7. Ministry of Labour and Social Security

Ms V Ndlobvu, Permanent Secretary
Mr G Kashinka, Director Occupational Safety Health Security
Mr A Dumingu, Director-Social Security
Mr M Bili, Director-Planning and Research

8. Ministry of Tourism

Mr W H Katongo, Director Human Resource Administration
Mr M Mbalamweshi, Director Finance
Mr Charles Mweshi, Director Planning

9. Ministry of Information and Media

Ms N C Mwale, Acting Permanent Secretary
Dr R Mulenga, Director Planning
Mr C Kasonde, Director Finance

10. Ministry of Transport and Logistics

Mr S Mbewe, Acting Permanent Secretary
Ms I B M Tembo, Ag. Director-Planning

11. Development Bank of Zambia

Mr P Chifwanakeni, Board Chairperson
Mr S Bwalya, Managing Director
Mr G Lumpa, Head-Debt Recoveries
Mr M Mutale, Chief Internal Officer
Mrs R Ndhlovu, Bank Secretary
Mr M Mtamboh, Head Internal Audit

Mr M Muyawala, Chief Finance Officer
Mr C Kambobe, Head- Risk and Strategy
Mr K Dube, Head Portfolio Management

12. Energy Regulation Board

Mr F Hang`andu, Acting Director General
Mr E Mumba, Acting Director Legal
Mr K Mwale, Director Finance
Mr A Mwila, Director Economic Regulation

13. Indutrial Development Corporation

Mr M C Kaluba, Group Chief Executive Officer
Ms C Sokoni, Chief Finance Officer
Ms S Kaweza, Principal Research and Strategy Analyst

14. INDENI

Mr D Silusu, Managing Director
Mr E Mulenga, Operations Manager

15. Kwame Nkrumah University

Eng. B Chiwala, Chairperson
Mr I Kamwimba,
Prof. A Mwanza, Vice Chancellor
Mr F Katulwende, Director Finance

16. Local Authority Superannuation Fund (LASF)

Mr P H Banda, Board Chairperson
Mr G Chileshe, Managing Director
Mr B Mubanga, Director Corporate Services
Mr M Mooba, Director Contract and Benefits
Mr K Kaunda, Director Finance and Investments

17. Mulungushi University

Dr K Nyirenda, Acting Vice Chancellor
Mr D Chilembo, Bursar

18. National Institute for Scientific and Industrial Research

Ms J Lungu, Board Chairperson
Mr H Njapau, D/ Director

Mr H Kambafwile, Executive Director
Mr E Sibongo, Finance Manager
Mr E Lungu, Internal Auditor

19. National Pension Scheme Authority

Mr M Mwiinga, Director Contributions and Benefits
Mr M Kyamulanda, Director Investments
Mr O Chimpinde, director internal Auditor
Mr R Kamanya, Director Business Performance and Strategy
Ms B Meleki, Director Human Resources and Administration
Ms L Chilumba, Authority Secretary
Mr Y Kachinda, Director Finance
Mr U Simwinga, Director Finance

20. National Savings Credit Bank

Mr G Mwambazi, Chairman
Mr M Chabala, Chief Executive Officer
Mr J Milinga, Head-Human Capital and Administration
Mr K Hamusute, Chief Risk Officer
Mr A Chongwe, Head Credit
Mr L Hara, Chief Financial Officer
Mr C T Sinkala, Company Secretary

21. Occupational Health and Safety Institute

Mr F Chewe, Human Research and Administration Manager
Dr M Chakulimba, Director
Mr P Sayila, Finance Manager
Mr M Chintamo, Internal Auditor
Mr M Bili, Director Planning
Mr C Lupili, Assistant Labour Commissioner Inspector

22. Public Service Pensions Fund

Mr P Bobo, Chief Executive Officer
Mr B Mulenga, Board Chairperson
Mr S B Kangwa, Director Pension Administration
Mr D Lungu, Director Human Resource Administration
Mr M Matandiko, Director Investments
Mr P Nyirenda, Director Finance

23. Tazama Petroleum Products Company Limited

Mr D Thawethe, Managing Director

Ms S Wandiba, Director Corporation Service
Ms V M Mulia, Director of Finance
Mr D Zegge, Directgor Operations and Engineering

24. University Teaching Hospital

Mr C Mutemba, S M S
Mr M Malekani, Chief Purchasing and Supplies Officer-UTH Adult
Ms B Katebe, Chief Human Resource Management Officer-UTH Adult
Mr M V Mbangweta, UDH- Principal Accountant
Mr A Jere, Chief Hospital Administrator
Mr T C Kalobwe, Ag Revenue Accountant (Assistant Accountant)
Mr E Chileshe, Adult-Ag Chief Accountant
Dr L Banda, CDH –SMS-CDH

25. Zambia National Building Society

Ms M Mutesa, Managing Director
Mr D Nama, Chairperson
Mr C L Kaponta, Director Human Resource
Mr J Muyoyeta, Head Internal Audit
Mr R Kalwiji, Senior Compliance Officer
Ms V H Milumbe, Chief Operations Officer
Mr V Mwanza, Director Finance
Mrt E Chulu, Director Risk
Mr F Mukuka, Director Banking and Mortgage

26. Zambia Institute for Tourism and Hospitality Studies

Mr W Silungwe, Executive Director
Mr C Mweetwa, Finance Controller

27. Zambia National Broadcasting Corporation

Mr Mr M Lusambo, Director General
Mr R Kajokoto, Director Legal
Ms M Chama, Director Finance
Mr S Mwewa, Director Marketing
Mr M Katebe, Director Human Resource
Mr B Nkaka Director Engineering and Technology
Mr G Zulu, Acting Director Programmes
Ms A Mukabe, Head Corporate Affairs

28. Zambia Postal Services Corporation

Mr B Ngoma, Post Master General

Mr M Byaruhanga, Corporation Secretary
Mr C K Puta, Director Operations
Mr F Chiwaya, Finance Manager

29. National Pension Scheme Authority

Mr M Mwiinga, Director Contributions and Benefits
Mr M Kyamulanda, Director Investments
Mr O Chimpinde, director internal Auditor
Mr R Kamanya, Director Business Performance and Strategy
Ms B Meleki, Director Human Resources and Administration
Ms L Chilumba, Authority Secretary
Mr Y Kachinda, Director Finance
Mr U Simwinga, Director Finance

30. Zambia Consolidated Copper Mining -Investment Development (ZCCM-IH)

Mr M Chipeta, Chief Executive Officer
Mr C Kabwe, Finance Manager
Mr M Lombe, Legal Manager

31. Zambia Electricity Supply Corporation

Mr V M Mundende, Managing Director
Mr P Mwila, Director-Strategy and Corporation Services
Mr E Banda, Director-Finance
Mr Y Sichalwe, Director-Distribution
Mr W Musonda, Director-Transmission
Ms R Mwale, Director-Human Resources
Mr F Mubiana, Director-Generation
Mr M Lunda, Chief Officer-Large Contracts Management and Research
Mr M Chiwale, Director Legal Services and Company Secretary

32. Auditor – General`s Office –Permanent Witnesses

Mr F Mbewe, Deputy Auditor General -Audit
Mr A Mwelwa, Director Public Debit of Investments
Mr S Chitumbo, Assistant Director
Ms D B Kazembe, Principal Auditor
Ms CM Chisala, Senior Auditor
Mr L Sinyani, Public Relation Officer
Mr D Siame, Director Provincial Audits
Mr S Nyirenda, Assistant Director- Central Province
Ms E Mutandwa, Assistant Director Provincial Audits- Headquarters
Ms T Mvula, Principal Auditor – Public Debt and Investment
Mr G Tembo, Senior Auditor- Planning and Information
Ms T Mvula, Principal Auditor- Public Debt and Investments

Mr C Kainda, Auditor- Public Debt and Investments
Mr K Simbao, Senior Auditor-Public Debt and Investments
Mr K Chivunda, Auditor
Mr J Mulenga, Assistant Director (Forensic Audits)
Mr A Mweemba, Principal Auditor (Forensic Audit)
Ms K Namwinga, principal Auditor (PDI)
Mr L Kufanga, Auditor (PDI)
Mr E Tembo, Director Specialised
Mr N Mpande, Principal Auditor Forensic
Mr F Soko, Senior Auditor Planning
Ms C Biemba, Principal Auditor-Specialised
Ms K Namonja, Principal Auditor-Parastatal
Ms P Malala, Assistant Director (Ministerial)
Ms M Bukolo, Principal Auditor (Ministerial)
Mr K Chabaye, Principal Auditor
Mr M Pangani, Senior Auditor
Mr K Chisenga, Senior Auditor (Specialised)
Mr R Zulu, Director Revenue
Mrs G Chanda, Assistant Director Revenue
Mr C Chiwele, Principal Auditor Revenue
Mr L Makasa, Principal Auditor Public Debt Investment
Mr S Ngandwe, Senior Auditor- Kabwe Office